



ANNUAL REPORT 2004
FOR THE YEAR ENDED 31 MARCH 2004

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NATIONAL GAMBLING BOARD



NATIONAL GAMBLING BOARD

ESTABLISHED IN TERMS OF THE NATIONAL GAMBLING ACT,
1996 (ACT NO. 33 OF 1996)



Mission Statement

It is the mission of the National Gambling Board to ensure that the viability, sustainability and integrity of the gambling industry in South Africa is attained and maintained.

This will be achieved by:

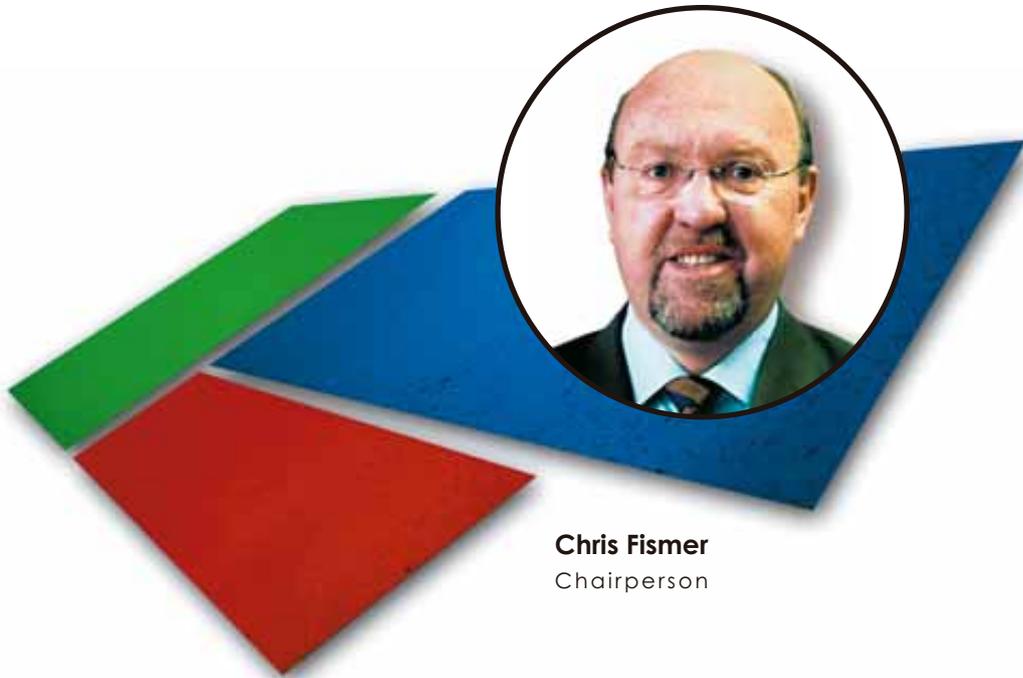
- Ensuring that the legislation of both national and provincial governments is guided by the same vision and principles,
- Ensuring that the rights of the operators in the industry and those of the public are protected by, for instance, avoiding over-stimulation of gambling, which can result in habitual gamblers with negative effects to society,
- Providing advice, facilitating and establishing guidelines to ensure standardisation and uniformity within the broad regulatory environment.

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CHAIRPERSON'S REPORT



Chris Fismer
Chairperson

The year under review has seen some interesting and eagerly anticipated developments in the operations and functions of the National Gambling Board. In its ongoing endeavour to ensure best practices in the gambling industry in South Africa, the Board embarked upon a number of initiatives, all of which are aimed at ensuring the viability, integrity and sustainability of the industry, in line with the mission of the National Gambling Board.

Probably the most significant development for the period under review has been the unfolding of the process to the promulgation of the National Gambling Bill, which is currently awaiting the signature of the President. In keeping with the industry practices of transparency and inclusiveness, the Bill was published for public comment in June 2003. The Board and other key stakeholders also workshopped the Bill with the Department of Trade and Industry and in the process a number of significant areas of concern were identified and addressed. We are confident that the new Bill will

provide a sound regulatory framework for the industry and we are proud of the participatory role that we have played in the process.

One of the initiatives that I am pleased to report on this year is the Black Economic Empowerment (BEE) audit in the gambling industry. The Board decided to conduct an audit into BEE in the industry after it became increasingly apparent that BEE was not achieving the outcomes that had originally been anticipated. There was, and continues to be, a significant amount of concern and discontent as to the relatively junior role which BEE groups play in the industry. The BEE Committee, under the auspices of Professor Barney Pitso, Vice-Chancellor and Principal of Unisa, conducted public hearings on BEE in the gambling industry, giving a variety of stakeholders the opportunity to voice their frustrations. It is evident that aspects such as financing, debt, and unequal treatment were common areas of concern and the Committee made a number of recommendations

CHAIRPERSON'S REPORT

which it believes will facilitate the resolution of these issues. If the Board is to take seriously its mandate and regulatory obligations, then there will have to be an ongoing effort to acknowledge the relevance and importance of BEE in the gambling industry. The Board has to strive continually to find means of assisting equity groups to realize their full potential as equal partners, in all respects.

Last year I mentioned the report of the research into the "Economic Impact of Legalised Gambling in South Africa Since 1994". The study, conducted by the Bureau of Market Research, makes it quite clear that the majority of South Africans see gambling as a form of leisure, and it was quite revealing to see how, despite the size of our population, so many South Africans have taken to gambling. When one considers that the majority of South African gamblers fall into the age group 18 – 30 years, then the concerns emanating from the research, for example, the economic impact of gambling on poor households, gain more relevance. The Board is aware of, and takes seriously, its social responsibility in respect of gambling. There is general agreement both locally and internationally, that the public needs to be educated about gambling. Research conducted in other countries has also shown that gambling among youth is a problem. Given the age group that most South African gamblers fall into, the Board decided that it was imperative to conduct research into adolescent or youth gambling. The project will target youths/learners from Grades 10 – 12, so that results can be compared with those from other countries. The object of the project is to assess gambling behaviour, knowledge and attitudes of young people (and their parents) in South Africa. The call for tenders for this project closed in March 2004.

In a similar vein, our CEO, Advocate T Majake and

Mr J Booysen attended the 4th Annual Conference of the National Centre for Responsible Gaming (NCRG), held in Las Vegas from 7 – 9 December, 2003. The theme of the conference was "Regulating Addiction: How Individuals, Groups and Individuals Manage Excessive Behaviours." The conference reflected the NCRG's commitment to educating all stakeholders involved in gambling on the reduction of the harm that can result from intemperate gambling and other disorders – a commitment echoed by South Africa's own National Responsible Gambling Programme (NRGP).

Cooperation with our peers nationally and internationally, continues at a high level. On the local front I must once again commend those organizations such as the Gaming Regulators African Forum (GRAF) who promote co-operation and information sharing among gambling regulators on the African continent.

Other bodies, whose contributions to our efforts need to be acknowledged and applauded, include the CEO's Forum, the Legal Compliance Forum and the Horse Racing Forum. The constructive engagement of these bodies continue to contribute to maintaining and promoting excellence and cohesion in the industry.

The hosting of the National Gambling Board 3rd Biennial Conference in Durban, and the facilitation of a gambling induction seminar as part of the GRAF initiative of information sharing, provide further evidence of the Board's commitment to its mandate.

The Board's fight against illegal gambling continues apace, with notable successes having been achieved, especially in the North West Province and KwaZulu-Natal. The formation of bi-mutual relationships between the Provincial Licensing

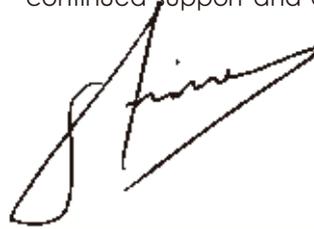
CHAIRPERSON'S REPORT

Authorities (PLAs) and law enforcement agencies has also enhanced the eradication of illegal gambling in the PLAs. The Financial Intelligence Centre Act, 2001 (Act No. 38 of 2001) came into effect in February 2002. The purpose of the Act is amongst others, to detect and combat money laundering. The Board has conducted a number of workshops and inspections, to ensure compliance with FICA.

I am pleased to report that the Central Electronic Monitoring System (CEMS) is running smoothly, with no reports of non-compliance. The Limited Payout Machines (LPM) launch continues to be rolled out with an increasing number of small businesses being empowered in this new gambling venture. The Board has managed to establish a good working relationship with the LPM industry.

In conclusion, and on a more personal note, I would like to thank my fellow Board members for their loyal support and their untiring efforts in support of the NGB this past year. Much of the success

that has been achieved can be ascribed to their valuable contributions. I would also like to express my appreciation to our CEO, Advocate Thibedi Majake who successfully completed his first year as Chief Executive Officer. He continues to work tirelessly towards the realization of his vision to transform the Board's strategic profile, with the aim of attaining supremacy as a regulator. My sincere thanks must also go to all other stakeholders, especially our colleagues and the Minister in the Department of Trade and Industry, for their continued support and direction.



Chris Fisser

Chairperson

Date: 27/07/2004

CEO'S REPORT



Thibedi Majake
Chief Executive Officer

The year under review has once again reaffirmed South Africa's prominence in the global gambling community. Continental recognition followed when Mr Fisser was also appointed Chairperson of the Gaming Regulators Africa Forum.

A more in depth appraisal of our eminent position in the industry will reveal that one of the underlying factors for our success is our national propensity for gambling. My report last year indicated that the propensity for gambling in South Africa was three fifths that of Australia, three times more than in the USA and almost twice that in New Zealand, and while it is most certainly incumbent upon us to manage the industry to the highest possible standards, we also undoubtedly have a responsibility to educate the public about gambling and the possible associated harms. There is global recognition of this responsibility, as discussed in this report.

The year under review also saw a particularly South African political issue come to the fore in the gambling industry. An awareness of genuine and deep seated concerns about the nature of Black Economic Empowerment in the gambling industry prompted the Board to constitute a BEE Audit Committee. Public hearings were held, giving all stakeholders the opportunity to air their grievances and concerns. A report on the findings and recommendations of the Committee was made available to all interested parties. Board members are currently making an indepth study and analysis of the report and will publish their conclusions in the next annual report.

The National Gambling Board is resolved to maintain and improve upon its own regulatory and management practices. This cannot be done in isolation. There is a moral and political imperative to address simultaneously the concomitant social, economic and political imperatives that are

peculiar to the industry in South and Southern Africa. A significant number of initiatives have been embarked upon to address these imperatives, and these are reported on in greater depth below.

BLACK ECONOMIC EMPOWERMENT (BEE) IN THE GAMBLING INDUSTRY

The BEE Audit Committee under the chairmanship of Prof. Barney Pityana, Vice-Chancellor and Principal of the University of South Africa (UNISA), held public hearings on Black Economic Empowerment in the gambling industry from 01 - 05 December 2003.

Here are some of the findings of the committee:

- (a) There are a large number of BEE consortia with interests in the industry. Some of them have an indirect interest, in that the consortium is a shareholder in a company, which in turn, has a shareholding in an operating company. With a few exceptions, just about all the BEE groups play a junior or subsidiary role in the industry.
- (b) Not all of them are involved in the management companies established to run the casino operations. Those that do participate have benefited handsomely and have been better able to service their debts from the dividends declared by the management company.
- (c) All the operators have made substantial advances in the areas of social investment, affirmative procurement and, with the exception as stated above, in employment equity.
- (d) Acute dissatisfaction was expressed about the difficulties experienced by BEE partners in securing financing for the acquisition of shares allocated to them. The result is that the BEE participants have had to resort to

seeking financial support and backing from their more established partners. The major partners have tried to assist as much as possible, structuring share deals on favourable terms; creating differentiated share schemes; the 'O' and 'N' shares with options; advancing financing to pay for the shares and charging appropriate interest.

- (e) The majority shareholder partners have also approached their own bankers and stood as guarantors in order to unlock finance. The same bankers who declined to finance the BEE consortia directly were able to when a major shareholder intervened. Banks are very reluctant to take the risks necessary for the development of BEE.

More seriously, this development has often meant that the BEE components are at risk of becoming beholden to the majority operator with all that it entails, for meaningful partnership.

Some of the frustrations reported include the following:

- a) BEE partners find themselves burdened with escalating debt they cannot meet.
- b) Humiliation suffered in the process of negotiating their way out of debt. They also felt that the situation they were in was part of a stratagem to lure them to forsake their shareholding.
- c) The unequal treatment that various BEE partners received.
- d) The lack of clarity about conditions for seats on the Board and participation as shareholders in the management companies set up as part of the deal.
- e) Many BEE partners cannot receive dividends because dividends are either

not declared yet or when they are, the proceeds of the dividends are used to service the debt.

- f) No lending bank is prepared to risk capital without the debtor risking something in return.
- g) There was also debate as to whether the licence awarded on the strength of black participation in the deal was not, in itself, a value proposition and, indeed, how could that value be quantified?

The recommendations of the Committee are:

1. Provincial gambling boards have to review all the licences currently in operation with a view to understanding clearly the equity ownership and the extent of BEE participation.
2. Government should establish a National Empowerment Funding agency to serve as a vehicle for funding equity for BEE partners.
3. The gambling industry must undertake an industry-wide review and in reflecting on the report, must seriously consider a voluntary industry charter that will set out clear BEE criteria and benchmarks as well as arrangements for BEE financing, skills transfer and capacity development.
4. The Board and the provincial licensing authorities should require all licence operators to submit annual BEE reports and to chart the course of improvement in all aspects of BEE participation in the industry.

5. The Board should reconstitute the committee in three year's time in order to review progress and the implementation of the recommendations.

RESEARCH

The Report on the Economic Impact of Legalized Gambling since 1994, whose results were reported in the 2003 financial year, was released to the public in April of this financial year. The results of the study, which were presented to the media and to the Parliamentary Portfolio Committee, generated a lot of public interest and debate. The study showed that gambling is popular in South Africa, with more than half of the respondents believing that casino gambling was a leisure activity. The concerns raised by the media and community members ranged from gambling by the poor, to household expenditure on gambling. The Board received a total of 48 clips in the media (excluding electronic media) for the research report on the effects of legalized gambling in South Africa, of which only four were negative.

The study on the Economic Impact of Gambling was the first of its kind in South Africa, so it will serve as a benchmark for other relevant studies. The study was conducted by the Bureau of Market Research (BMR), UNISA, on behalf of the Board. The results of this study were also published in an international journal- eCommunity: International Journal of Mental Health and Addiction, 1 (1).

In an effort to educate the public about gambling in South Africa, copies of this report were donated to provincial gambling boards, high schools, colleges and universities, nationally.

YOUTH GAMBLING RESEARCH

The study on the Economic Impact of Legalized Gambling revealed that gambling was highest for all modes, except internet gambling, in the age group 18 – 30 years. The Board thus decided that it was imperative to conduct research into adolescent or youth gambling. Youth gambling is an area that has generated a lot of interest internationally. Research conducted in other countries shows that gambling among youth is a problem. Youth gamblers are likely to develop gambling problems later in life. This project therefore aims to be a comprehensive longitudinal assessment of the nature and extent of gambling among Grade 10, Grade 11 and Grade 12 learners in South Africa. The aforementioned grades were selected in order to make the study comparative to studies conducted in other countries. A request for proposals was advertised and the submission date was the end of this current financial year. The successful tenderer will be announced in the next financial year.

THE NATIONAL RESPONSIBLE GAMBLING PROGRAMME (NRGP)

One of the challenges faced by all gambling jurisdictions in the world is to minimize the negative effects and maximize the positive effects, of gambling. In 2001 the Board spearheaded the establishment of the South African Advisory Council on Responsible Gambling (SAACREG). The 24-member SAACREG is representative of all gambling industry stakeholders, namely, regulators, operators, manufacturers and civil society. Civil society representation has yet to be formalised. The

National Responsible Gambling Programme (NRGP), which was initially an industry initiative, was integrated into the objectives of SAACREG. The SAACREG in turn, created the South African Responsible Gambling Trust (SARGT), in 2002. The primary goal of the SARGT is to fund, manage and direct the activities and the operations of the National Responsible Gambling Programme (NRGP).

During this financial year the NRGP developed Level 1 and Level 2 training programmes. The advanced training course also includes a short module on the socio economic impact of gambling. Three programmes were launched in August 2003 at a function at Caesars casino.

Awareness of gambling issues appears to have increased tremendously during this financial year. This could be attributed to the release of the economic impact study and perhaps also to the roll-out of Limited Payout Machines (LPMs) in Mpumalanga. NRGP adverts appeared on TV, radio and print. The TV advert was entered for the Vuka awards and won.

Preparations to roll-out the schools and seniors' programmes in Gauteng are at an advanced stage. The NRGP will have a stand at the Rand Easter Show, which starts in April 2004. The programme has already reached learners and senior citizens in the Western Cape. There are plans to introduce these two programmes in other provinces.

The Horseracing (totalisators) and the Bingo industries made their first contributions to the programme and the bookmakers have confirmed

their commitment to the programme. The bookmaker contributions will be collected by the relevant Provincial Licensing Authority (PLA), who will then transfer the contribution to the NRGF.

The South African Responsible Gambling Trust (SARGT) drafted documents on advertising standards and self-exclusion. Although all the major industry stakeholders had signed-off on the advertising policy it was suggested that further discussions be held before the policy is adopted by the Board as a national standard.

The new Gambling Bill deals extensively with self-exclusion. The Trust decided to wait for the promulgation of the Bill to assess the relevance of their proposed Trust document on self-exclusions. The Board is preparing a self-exclusion form that will be discussed with the provinces and the industry.

An industry responsible gambling policy was also drafted by the Trust and circulated to all stakeholders. The Trust made a submission to the Portfolio Committee during the debates on the National Gambling Bill. The submission addressed the specific issues in the Bill that dealt with responsible gambling, and highlighted the function and the activities of the Trust.

The contract for the service providers of the NRGF ended in February 2004. The tender was advertised and only one submission was received from a service provider who could provide treatment, education and research. The tender was won by the National Responsible Gambling Federation (NRGF).

THE NATIONAL GAMBLING BOARD 3rd BIENNIAL CONFERENCE

The Board's 3rd Biennial Conference will take place at the International Convention Centre in Durban on 15-16 April 2004. Local and international speakers are expected to attend and participate at this event. The IAGR Steering Committee will hold its meeting in South Africa, to coincide with the conference, thus enabling the steering committee members to attend and present papers at the conference.

NATIONAL GAMBLING STATISTICS DATABASE

The Board developed a National Gambling Statistics Database. Primary statistics such as turnover, gross gambling revenue and taxes are obtained from the nine Provincial Licensing Authorities (PLAs) and analysed by the Board. The database comprises comparative statistics for the period 1 April 1999 to 31 March 2004. This information is vital with regard to keeping the public and stakeholders informed on financial and operational gambling data in the country.

The Gross Gambling Revenue (GGR) showed an increase of 19.2% compared to the same period last year. The reason for this apparent huge increase is due to the fact that five new casinos became operational in the current year and for the first time reported on their GGR for the relevant period. A provincial breakdown of the GGR shows decreases in the following provinces, Gauteng, Eastern Cape, North West, Northern Cape and Limpopo. Gauteng recorded the highest decline, at 3.3%.

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Gambling taxes and levies recorded an increase of 14.2% (2004 compared to 2003). All provinces other than Gauteng and Mpumalanga showed slight increases.

The GGR by mode showed LPMs entering the market with a contribution of 0.1%, and the casinos showing a decline of 1.2%, from 90.3% in 2003 to 89.1% in the 2004 financial year. Betting recorded an increase from 9.5% to 10.6%, an increase of 1.1%.

HORSERACING AND BETTING

During the reporting period the South African Horseracing industry recovered some ground it had previously lost to the casinos and the lottery. The totalisator also showed some recovery during the first three quarters, when regrettably, the Western Cape, Eastern Cape and Gauteng were rocked by an unknown strain of equine influenza, and shortly thereafter African Horse Sickness (which was quickly contained). At this time, with the exception of KZN and the smaller centres such as Bloemfontein and Kimberley, horseracing was brought to a halt.

During the reporting year the Horseracing and Betting Forum continued to develop an appropriate Draft Legislative Framework with regard to Horseracing Authorities, in tandem with the preparation of a set of Draft Regulations. This process is continuing in consultation with the National Horseracing Authority (previously known as the Jockey Club of Southern Africa). A sub-committee of the Forum developed a national set of both Bookmaker Rules and Totalisator Rules. Both

sets of rules have been completed and are with the respective role players for their inputs and comments.

An investigation is currently being conducted into the zero rating of tax on punters in respect of sports betting. The intention of this investigation is to consider moving the tax on winning bets struck, from the punter to the bookmaker, in order for South Africans to compete in the international market. The reason the investigation is being conducted into sports betting only, is because sports betting only constitutes between 5 to 10% of our betting turnover and is therefore perfect as a test model for South Africa.

Betting Exchanges, introduced in the United Kingdom during the latter part of 2000, have become a major threat to the stability of the industry, with more and more South African punters depositing money in the United Kingdom and betting via these exchanges. A Betting Exchange is essentially an entity which acts as a broker between two persons, one of whom is backing his view on the outcome of an event, whilst the other is laying odds against the outcome occurring. The desirability of Betting Exchanges is currently being investigated as there are several concerns with regard to Betting Exchanges that remain unanswered, i.e., the integrity aspect, outflow of capital from South Africa, no taxes or VAT being paid locally, no contribution to the upkeep of The South African racing industry, and finally the legal arguments with regard to punters laying bets with such entities (an illegal bookmaker also better known as a "bucket shop").

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

The CEMS is a system established by the National Gambling Act of 1996, to perform certain tasks, such as detecting and monitoring significant events associated with any limited pay-out machine that is made available for play in the Republic, and analysing and reporting data in accordance with the prescribed requirements.

The Zonke Business Continuity Plan was presented to the Board and was approved. High-level IT and information security audits of the CEMS were also concluded and presented to the Board. The CEMS was then approved by the Board for operations.

The Zonke Certification Committee, chaired by the Board, and the Project Committee co-chaired by the Board and ZMS, planned and effected the roll-out of the LPM industry. In June 2003 the LPM industry was officially launched in Mpumalanga. The official opening was held at the offices of the Mpumalanga Gaming Board in White River. This was done after the completion of probity investigation of Zonke Monitoring System (the CEMS operator) and the, approval, certification and integration testing of the CEMS itself.

The LPM industry launch heralded a new era of gambling and everybody is looking forward to empowerment of the small businesses in this new gambling venture. The Board has ensured technical and operations compliance of the CEMS and has formulated a good working relationship and forum within the LPM industry.

The Board will also be instrumental in the rollout process of the other PLAs and ensure that the CEMS operator complies both technically and operationally, with the requirements of the legislation and Service Level Contract (SLC).

ERADICATION OF ILLEGAL GAMBLING

The Board and other law enforcement agencies embarked on extensive eradication of illegal gambling in North West and KwaZulu-Natal, as indicated on page 41.

The Board has also provided seminars and facilitated the sharing of information between the PLAs and the law enforcement agencies. This also led to the facilitation of the formation of bi-mutual relationships between PLAs and law enforcement agencies, in order to enhance the eradication of illegal gambling. The monitoring of the export and import of gambling devices and machines in the country has also been assured by the Board working in relationship with the PLAs. Similar cooperation has seen improved control of the legalised import and export of gambling activities. This has further assisted other law enforcement agencies in assuring compliance with the laws pertaining to import and export control, and the monitoring of under-invoicing to evade tax related to import and export.

FINANCIAL INTELLIGENCE CENTRE ACT

The Financial Intelligence Centre Act, 2001 (Act No. 38 of 2001) (FICA) came into operation in February 2002. As a supervisory body, the Board conducted workshops for the applicable institutions. The Board also conducted inspections to ensure

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compliance with FICA. The inspections did not cover all requirements since there are still exemptions to certain requirements. The inspections will be intensified and much more is expected in terms of reporting requirements once the exemptions fall away during the next financial year. In addition, excellent interaction between the Board and the Finance Intelligence Centre (FIC) has ensured a better understanding of the gambling industry, and contributed to an improved understanding of the need to eliminate the risk of money laundering and improper control of the industry.

GAMBLING REGULATORS AFRICA FORUM (GRAF)

The Board successfully launched and chaired GRAF for its first tenure. 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. GRAF successfully held its first conference in Malawi from 22 – 24 October 2003. The conference was attended by twelve (12) countries and seven (7) PLAs. Participants engaged actively in discussions at the conference and the conference organizers 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

The Board was appointed a member of the South African National Accreditation Systems (SANAS) and was part of the team that did accreditation assessment for the two gambling laboratories in

the country. This accreditation was to ensure compliance with the requirement of technical competency, ISO/IEC 17025 and ISO 9000 and standards established in respect of South African Bureau of Standards (SABS), in terms of Standards Act, 1993 (Act No 29 of 1993). The accreditation assessment has involved interim audits of the laboratories in terms of the above mentioned criteria.

PARTICIPATION ON TECHNICAL STANDARDS

The gambling industry has always ensured technical compliance with the South African National Standards, hence its participation in the SABS 1718 Working Group. This working group ensures the updating of the technical standards in line with technological evolution and international standards.

PROMOTION OF UNIFORM NORMS AND STANDARDS

The Board has created the Law Enforcement, Legal and Compliance and CEO's Forums in an effort to promote a uniform approach to the regulation of the gambling industry in the country. These are forums of all regulators, where issues are discussed and agreed upon with a view to effective regulation, and the promotion of norms and standards in the country. Once decisions are taken, the PLAs are expected to effect them through legislation amendments, for ultimate effectiveness. In the interim, the Board is preparing norms and standards as contemplated in the National Gambling Bill.

CEO'S REPORT

ASSISTANCE TO PROVINCES

The Board is also assisting PLAs upon request, as contemplated in the legislation, and this has happened on a number of occasions, mostly during casino integration testing and LPM rollout processes, and can be ascribed to the experience the Board has gained in this process, through its national involvement.

The Board assisted the Limpopo Gambling Board to draft their LPM policy, as well as the Route and Site Request for proposals. The Board also assisted the North West Gambling Board to draft and finalise their LPM policy, and was invited to participate in the formulation of the Eastern Cape LPM public hearing to explain the functionality of the CEMS. The Board also assisted the Limpopo Gambling Board to develop an IT strategy that is in line with its business strategy.

NATIONAL GAMBLING BOARD'S NETWORK INFRASTRUCTURE

The Information Technology (IT) department has successfully upgraded the Board's network infrastructure to the latest operating systems. The department has also procured industry-leading security software that will aid in the controlling of virus intrusions and spamming. The software is also able to do intruder detection, and web and content filtering as an additional means of safeguarding the Board's infrastructure.

NATIONAL IT FORUM

The National IT Forum was established to ensure the successful implementation of national and provincial gambling related IT projects, to improve

communication amongst gambling regulators using information technology and to finalise bulk procurement of IT resources. The Forum is chaired by the Board and it successfully organised the first IT Indaba for the gambling industry in Cape Town in 2003. The purpose of the IT Indaba was to ensure and promote IT best practices across the gambling industry and to ensure a closer and better working relationship from an IT perspective.

NATIONAL DATABASE SYSTEM

The Board has initiated a project to develop a National Gambling Probity and Exclusion Database. The system will support the regulator's function of regulating gambling activities in South Africa. The Board's ultimate goal with regard to IT usage in the gambling industry, is the efficient and effective collection, storage and sharing of information from regulators, operators and third party information. This project on the National Database for Probity Investigations and Exclusions will address the standardisation of the probity and exclusion processes. This will assist in the minimisation of the duplication of tasks and more importantly, it will create an investor-friendly environment in South Africa's gambling industry.

The project of the National Database proceeded to the developmental stage after the recent Board-approval of the design specification. The user requirements, system analysis and system interface documents have been successfully concluded.

DONATION OF COMPUTERS

As part of the Board's Social Responsibility Programme, the Board initiated a process of donating old computers to historically

CEO'S REPORT

disadvantaged schools. The process is at an advanced stage.

NGB v PREMIER OF KWA-ZULU NATAL AND OTHERS

The Board had lodged an application seeking amongst other things, to restrain the Premier of KZN and the KwaZulu-Natal Gambling Board from proceeding with the process of appointing their own provincial CEMS Operator. This application was subsequently set down as an urgent application and was heard at the Natal Provincial Division, Pietermaritzburg, on 13 November 2003. The Board's application was struck off the roll on the basis that there was no urgency. This was the Presiding Judge's view, notwithstanding the fact that there was undisputed evidence that KwaZulu-Natal would be awarding the contract within the next few days. The Court did not deal with the merits of The Board's application and the case was dismissed on a technicality. In the meantime, the KwaZulu-Natal Gambling Board proceeded with their process, appointing KwaZulu-Natal CMS Monitoring Systems (Pty) Ltd as the successful bidder, on 15 November 2003. During December 2003, they issued a Request for Proposals (RFP) for Route Operator licenses.

NATIONAL GAMBLING BILL

The Bill was presented before the National Council of Provinces (NCOP) in February and promulgation thereof was expected at the end of this financial year. A committee has been appointed to draft regulations that will be submitted to the Legal Compliance Forum.



Thibedi Majake

Chief Executive Officer

Date: 27/07/2004

STAFF MEMBERS



Back row from left to right:

Kedi Maboela
Johan Keet
Veronica Northmore
Mike Burns
Theo Malan
Jackie Moagi
Tshepe Mokoena
Thabo Johnson

Admin Officer
Manager: Finance
Personal Assistant
Acting General Manager: Strategic Operations
Senior Researcher
Driver
HR Officer
Manager: IT

Front row from left to right:

Mauricia Benn
Karen van Dyk
Candy Hoshoko
Gcwali Makhathini
Thibedi Majake
Trish Naidoo
Lusanda Rataemane
Vuyokazi Memani
Catherine Sebigi
Kobie van den Berg

Personal Assistant
Bookkeeper
Receptionist
Manager: Legal Services
Chief Executive Officer
Systems Administrator
Manager: Research
General Manager: Corporate Services
General Assistant
Accountant

Absent

Phelokazi Sawula
Themba Marasha
Tebogo Makamo

Personal Assistant
Chief Inspector
Senior Inspector

BOARD MEMBERS



Mr. Chris Fismer
Chairperson



Ms Laura Kganyago



Adv. Joseph Lukwago-Mugerwa



Adv. Tayob Aboobaker



Mr Serobi Maja



Ms Thebi Moja



Mr Rossouw Lubbe

BOARD MEMBERS



Adv Thibedi Majake
Chief Executive Officer



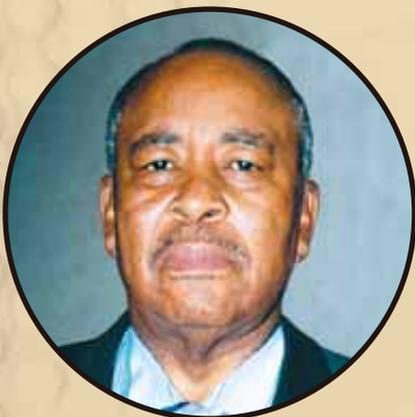
Ms Puleng Gaoboehi



Mr Sinky Ngobe



Mr Jacques Booysen



Prof Victor Nzimande



Mr Mabandla Tsengiwe



Ms Astrid Ludin

CORPORATE GOVERNANCE

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.

Board

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.

Executive Committee

The Executive Committee (Exco) comprises five non-executive Board members and the Chief Executive Officer. The Exco deals with operational issues as delegated to it by the Board, such as finance, human resources, administration and remuneration issues. The Chairperson of the Board also chairs the Exco.

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 page 43.

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 24.

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 guided by the principles contained in the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and Regulations 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 is fair, equitable, transparent, competitive and cost-effective.

Materiality Framework

The Board, for the period 1st April 2003 to 31st March 2004, determined a materiality figure of R270 000. Only 1,5% 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 R270 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.

STATEMENT OF RESPONSIBILITY

BY MEMBERS OF THE BOARD

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 Sithole Incorporated, an accounting firm 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 Auditor-General is responsible for auditing the financial statements.

The financial statements are prepared in accordance with generally accepted accounting practice and the reporting requirements of the Public Finance Management Act (PFMA), 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 2004 set out on pages 26 to 38 were approved by the members of the Board on 23 July 2004 and are signed on its behalf by:



Chris Fisser
Chairperson



Thibedi Majake
Chief Executive Officer

PERFORMANCE REPORT

FOR THE YEAR ENDED 31 MARCH 2004

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 have not been promulgated. Although the new Act will 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 new Act will also set time frames within which the Minister must pass the Internet gambling legislation.

The assumptions relied upon by the Central Electronic Monitoring Systems (CEMS) operator in its tender, both with regard to the number of limited payout machines (LPMs) and the rollout timeframes, have proved to be overly optimistic. The number of LPMs and the rollout timeframes are the prerogatives of the Provincial Licensing Authorities (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.

PERFORMANCE REPORT

FOR THE YEAR ENDED 31 MARCH 2004

Objective	Key Performance Area	Achievement	Constraints
<i>Advising the Minister on legislation and regulations</i>	<ul style="list-style-type: none"> Amendment of the National Gambling Act. 	<ul style="list-style-type: none"> The Bill has been passed by both houses of Parliament. Draft regulations are being drafted so that they can be published immediately the Act is signed. 	
<i>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.</i>	<ul style="list-style-type: none"> Actual rollout of the LPMs to 8 PLAs 	<ul style="list-style-type: none"> Certification of CEMS Rollout of CEMS in Mpumalanga Western Cape Gambling and Racing Board awarded Route Operator tender to two operators and are in the process of licensing them Eastern Cape Gambling Board has issued out Request for Proposal for Route Operators and they are in the process of evaluating them. 	<ul style="list-style-type: none"> Licensing of Zonke Monitoring System by other PLAs excluding KwaZulu-Natal Pending constitutional case against KwaZulu-Natal Gambling Board
<i>Establishing and maintaining a regulatory function to oversee horseracing nationally</i>	<ul style="list-style-type: none"> Introduction of uniform norms and standards 	A framework document has been drafted and discussed with all stakeholders within the Horseracing Forum. The document has been circulated to the PLAs for consideration. The document has been submitted to the Department of Trade and Industry for publication.	<ul style="list-style-type: none"> The implementation of the framework and policies is dependent on the enabling provisions for horseracing being introduced into the National Gambling Act
<i>Providing reliable statistical and research material on ongoing basis</i> (a) National gambling statistics database	<ul style="list-style-type: none"> Maintaining a database of primary information relating to all modes of gambling in South Africa 	<ul style="list-style-type: none"> Data recieved from PLAs for the 2003/2004 year captured in database after collecting and correcting missing and incorrect information 	<p>Data in some cases is</p> <ul style="list-style-type: none"> not readily available in quarterly format incomplete and incorrect not recieved timeeously

PERFORMANCE REPORT

FOR THE YEAR ENDED 31 MARCH 2004

Objective	Key Performance Area	Achievement	Constraints
	<ul style="list-style-type: none"> Updating the Gambling Information Resource Centre with relevant information 	<ul style="list-style-type: none"> Reports are published on a regular basis The Resource Centre is fully functional 	
(b) Research report on the economic impact of gambling	<ul style="list-style-type: none"> Publishing the results on the economic impact of legalised gambling activity in South Africa since 1994 	<ul style="list-style-type: none"> The report was published in April 2003 	
(c) Research report on Youth Gambling	<ul style="list-style-type: none"> Conducting study and publishing the results on youth gambling 	<ul style="list-style-type: none"> Closing date for tenders was March 2004 	<ul style="list-style-type: none"> The research was delayed as a decision was made to give the BEE audit priority instead.
(d) Report on Black Economic Empowerment (BEE) in the gambling industry	<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"> Public hearings involving all stakeholders in the gambling industry were held in December 2003 A report will be issued in the new year 	<ul style="list-style-type: none"> Some stakeholders were not available for the hearings
<p>Streamlining national probity investigations, licensing and other processes</p> <p>Promoting a national uniform approach to self exclusions by persons with gambling problem from gambling establishments</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 is still in process 	<ul style="list-style-type: none"> PLAs agreeing on standard probity and exclusion process Integration of PLA systems to the database
<p>Establishing and maintaining a regulatory function to oversee Internet gambling nationally</p>	<ul style="list-style-type: none"> Developing guidelines on regulation of Internet gambling Drafting Internet gambling licence conditions and issuing licences 	<ul style="list-style-type: none"> Research on drafting Internet regulations has been done Draft license conditions and technical guidelines aligned to SABS standards have been done. However, the document will need to be updated as it is more than 2 years old. 	<ul style="list-style-type: none"> Promulgation of regulations and licensing of operators dependent upon the introduction of the new National Gambling Act to provide for regulation of Internet gambling.

PERFORMANCE REPORT

FOR THE YEAR ENDED 31 MARCH 2004

Objective	Key Performance Area	Achievement	Constraints
<p>Increasing the effectiveness of National Inspectorate</p> <p>a) Eradicating illegal gambling</p>	<ul style="list-style-type: none"> Collection of statistics on operations to shut down illegal gambling operations throughout the country. 	<p>The following successes were achieved (April 2003 – March 2004):</p> <ul style="list-style-type: none"> 739 illegal gambling operations were shut down 3561 illegal gambling machines were confiscated 9 illegal gambling tables were confiscated 45 cases were successfully prosecuted. 2234 illegal gambling machines were destroyed after convictions. 	<ul style="list-style-type: none"> Disparities in gambling legislation in the provinces. Lack of e-gaming laws Lack of deterrent sentences by our Courts. The dissolution of the South African Police Services (SAPS) gambling units.
<p>b) Ensure that effective regulatory systems are implemented by provinces</p>	<ul style="list-style-type: none"> Provide gambling training seminars. 	<ul style="list-style-type: none"> A seminar on best practice to combat illegal gambling was arranged for all PLAs. 	

REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED 31 MARCH 2004

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

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The audit committee consists of the members listed hereunder and meets at least 2 times per annum as per its approved terms of reference. During the year under review (2003/2004) the Audit Committee met on 08 April 2003, 26 May 2003, 15 August 2003, 08 October 2003 and 17 March 2004.

Name of Member	Number of Meetings Attended
Kobus Scheepers (Chairperson)	5
Neville Kgothadi resigned June 2003	0
Lindiwe Mthimunye resigned August 2003	2
Sinky Ngobe appointed August 2003	3
Jacques Booysen appointed August 2003	3
Thobeka Mahlali appointed October 2003	0

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.



Chairperson of the Audit Committee

Date: 26/07/2004

THE AUDITOR GENERAL'S REPORT

FOR THE YEAR ENDED 31 MARCH 2004



AUDITOR - GENERAL

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE NATIONAL GAMBLING BOARD FOR THE YEAR ENDED 31 MARCH 2004

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 26 to 38, for the year ended 31 March 2004, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995) and section 9(2) of the National Gambling Act, 1996 (Act No. 33 of 1996). 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.

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

3. AUDIT OPINION

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

4. APPRECIATION

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

Y M Essack
for Auditor-General

Pretoria
26 July 2004

BOARD MEMBERS' REPORT

FOR THE YEAR ENDED 31 MARCH 2004

1. INTRODUCTION

The members of the National Gambling Board (the Board) have pleasure in presenting their report for the year ended 31 March 2004. 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, 1996 (Act No. 33 of 1996) (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 co-ordination of certain matters relating to casinos, gambling and wagering and in particular for the promotion of uniform norms and standards applying generally throughout the Republic.

3. OBJECTS AND FUNCTIONS

Objects

In terms of the Act the Board's objects are:

- to promote uniform norms and standards applying generally throughout the Republic, and to bring about uniformity in the legislation relating to gambling in force in the various provinces;
- to establish and maintain a national inspectorate to perform inspection services in respect of certain gambling activities;
- to monitor the existence of any dominant or over-concentrated market-share in the gambling industry in the Republic;
- to advise the Minister and the provinces on any matter in respect of which the Minister or provinces require the advice of the Board;
- to do research with reference to any

matter referred to above and to study and investigate all such matters in order to make recommendations for the development, improvement, modernisation or reform thereof;

- to facilitate the resolution of any disputes, which may arise between the respective provinces regarding the regulation and control of gambling activities;
- to liaise with any foreign international body having any objects similar to the objects of the Board.

Functions

In order to achieve its objects referred to above, the Board:

- shall have due regard to
 - the powers of the provinces and the regional, economic, financial, social and moral interests of the Republic;
 - the promotion of the basic principles underlying gambling in the Republic;
 - international developments in the field of gambling;
- shall from time to time advise the Minister on the maximum number of any kind of gambling licences to be awarded in the Republic or in any one province;
- may advise and provide guidelines to the provincial authorities on the regulation and control of gambling or wagering activities, including –
 - the manner and nature of the regulation and control of gambling activities in general or in connection with a specific gambling activity;
 - the granting, issuing, suspension, withdrawal and amendment of gambling licences;
 - the criteria to be complied with before any gambling licence is granted;
 - the nature and manner of the auditing of the businesses of licensees

BOARD MEMBERS' REPORT

FOR THE YEAR ENDED 31 MARCH 2004

- and the documents and records which shall be kept and submitted to the provincial authorities;
- the imposition of taxes, levies and duties in respect of any gambling activities;
- the types of games that may be played in a casino;
- the types, minimum standards and qualities of gambling equipment which may be used by any licensee;
- the control and restriction of the game of bingo or any similar game;
- any matter on which the Minister or a provincial authority requires the advice of the Board;
- measures relating to the advancement, upliftment and economic empowerment, through the gambling industry, of persons or groups or categories of persons disadvantaged by unfair discrimination;
- in general, any other matter which the Board may consider necessary or expedient to give advice to the Minister or a provincial authority;
- may advise the Minister on the determination of national norms and standards regarding any matter that should apply generally throughout the Republic;
- may in consultation with the Minister allocate out of the funds of the Board such amounts as may be necessary for programmes for the rehabilitation of persons who in its view have become addicted to obsessive gambling; and
- the Board may require any licensing authority to submit any report or information related to the activities of such licensing authority to 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
- (c) Oversight function of the responsible gambling programme
 - Contributing towards a possible 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 LPM industry on a national basis
- (e) Internet/interactive gambling regulation function
 - Licensing and regulating Internet/interactive gambling on a national basis
- (f) National database service provider
 - Streamlining national probity investigations, licensing and other processes [e.g. mandatory and voluntary exclusions of persons from gambling venues] by providing a vehicle for the recording and dissemination/access of appropriate data to service the requirements of regulators and licensees/operators
- (g) 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
- (h) Establishing and maintaining a regulatory function to oversee gambling nationally.

BOARD MEMBERS' REPORT

FOR THE YEAR ENDED 31 MARCH 2004

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 R11 million (2003: R9, 5 million) were received from the **dli** which, together with interest revenue of R696 658 (2003: R814 442) and other revenue totalling R24 569 (2003: R15 741) resulted in revenue for the year totalling R 11, 7 million (2003: R10, 3 million).
- Expenses as set out in the income statement amounted to R12, 219 million (2003: R10 million) resulting in a deficit of R498 393 (2003: R287 668 surplus) 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.

The accumulated surplus is reflected in the attached statement of changes in funds. After deducting/ adding the deficit/surplus for the year, the accumulated surplus of R6, 8 million

(2003: R6, 507 million) brought forward from the previous year decreased/increased to R6, 3 million (2003: R6, 8 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 R7, 8 million (2003: R8, 6 million) is made up of furniture and equipment, computer hardware and a motor vehicle, amounting to R532 500 (2003: R731 317), computer software amounting to R297 933 (2003: R59 624) and current assets of R7 million (2003: R7, 9 million). Total liabilities (all current) amounted to R1, 5 million (2003: R1, 9 million).

6. CAPITAL EXPENDITURE

Net capital expenditure on office furniture, office equipment, computer equipment and software amounted to R393 462 (2003: R365 008).

7. EMOLUMENTS OF THE 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 Fismer	428 589
L Kganyago	37 202
H Tsengiwe	28 747
VS Ngobe	10 146
TN Aboobaker	32 129
T Moja	16 660
D Auret	16 660
TW Majake - CEO	516 295
TOTAL	1 086 428

8. BOARD MEMBERS

The names of Board Members appear on page 43

BALANCE SHEET

AT 31 MARCH 2004

	Notes	2004 R	2003 R
ASSETS			
Non-current assets			
		830,433	790,941
Property, plant and equipment	3	532,500	731,317
Intangible assets	4	297,933	59,624
Current assets			
		7,000,541	7,854,934
Accounts receivable and prepayments	6	775,572	329,626
Cash and cash equivalents	12	6,224,969	7,525,308
Total assets			
		<u>7,830,974</u>	<u>8,645,875</u>
RESERVES AND LIABILITIES			
Reserves			
		6,296,951	6,795,344
Accumulated surplus	17	6,296,951	6,795,344
Current liabilities			
		1,534,023	1,850,531
Accounts payable and accruals		935,209	1,122,456
Deposit held in trust		-	22,140
Provisions for liabilities and charges	5	598,814	705,935
Total reserves and liabilities			
		<u>7,830,974</u>	<u>8,645,875</u>

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2004

	Notes	2004 R	2003 R
REVENUE			
Budget allocation - Department of Trade and Industry		11,000,000	9,500,000
Interest received		696,658	814,442
Profit on disposal of assets		7,627	15,741
Other non-operating income		16,942	-
		<u>11,721,227</u>	<u>10,330,183</u>
EXPENSES			
Personnel cost	9	5,814,083	5,756,086
Subsistence and traveling		1,452,692	1,361,970
Board and executive members' remuneration	7	1,086,428	1,116,295
Professional and consulting fees	8	514,452	759,512
Legal fees		607,462	96,190
Operating leases	13	1,022,040	914,775
Auditors' remuneration		95,567	120,115
National and other conferences		71,229	464,148
Reversal of provision for doubtful debt	16	-	(2,000,000)
Depreciation	3	315,617	370,221
Amortisation - software	4	45,980	72,632
Other operating expenses		1,194,070	1,010,571
		<u>12,219,620</u>	<u>10,042,515</u>
(DEFICIT)/SURPLUS FOR THE YEAR	17	<u>(498,393)</u>	<u>287,668</u>

STATEMENT OF CHANGES IN FUNDS

FOR THE YEAR ENDED 31 MARCH 2004

	Notes	2004 R	2003 R
ACCUMULATED SURPLUS			
Balance at beginning of year		6,795,344	6,507,676
(Deficit)/Surplus for the year		<u>(498,393)</u>	<u>287,668</u>
Balance at end of year	17	<u>6,296,951</u>	<u>6,795,344</u>

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2004

	Notes	2004 R	2003 R
Cash flows from operating activities			
Cash receipts from the dfi		11,000,000	9,500,000
Cash receipts - application fees and other		16,942	-
Cash paid to suppliers and employees		<u>(12,620,477)</u>	<u>(9,827,334)</u>
Cash utilised by operations	11	(1,603,535)	(327,334)
Interest received		<u>696,658</u>	<u>814,442</u>
Net cash (outflow)/inflow from operating activities		<u>(906,877)</u>	<u>487,108</u>
Cash flows from investing activities			
Disposal of property, plant and equipment		26,160	28,677
Purchase of intangible assets	4	(284,289)	(591)
Purchase of property, plant and equipment	3	<u>(135,333)</u>	<u>(393,094)</u>
Net cash outflow from investing activities		<u>(393,462)</u>	<u>(365,008)</u>
Net (decrease)/increase in cash and cash equivalents		(1,300,339)	122,100
Cash and cash equivalents at beginning of year	12	<u>7,525,308</u>	<u>7,403,208</u>
Cash and cash equivalents at end of year	12	<u><u>6,224,969</u></u>	<u><u>7,525,308</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

1 Accounting policies

The financial statements incorporate the principal accounting policies set out below, which are consistent with those adopted in the previous financial year.

1.1 Statement of compliance

The financial statements are prepared in accordance with generally accepted accounting practice and the requirements of the Public Finance Management Act and Treasury Regulations issued thereunder.

1.2 Basis of preparation

The financial statements are prepared on the historical cost basis.

1.3 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

1.4 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.

1.5 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.

1.6 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.

Receivables

Receivables 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 profit or loss in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

1.6 Financial instruments

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 deposits 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 2004 due to the short term maturities of these assets and liabilities.

1.7 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and at bank and deposits held on call and on short-term with the bank, all of which are available for use by the Board.

1.8 Revenue

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.

1.9 Investment income

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

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 reclassified.

2 Taxation

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

3 Property, plant and equipment

	Furniture & office equipment R	Computer equipment R	Motor vehicle R	Total R
2004				
Cost at beginning of year	945,227	852,171	68,248	1,865,646
Accumulated depreciation previous year	(452,802)	(638,843)	(42,684)	(1,134,329)
	492,425	213,328	25,564	731,317
Purchases current year	-	135,333	-	135,333
Disposals current year	(2,865)	(15,668)	-	(18,533)
Depreciation current year	(184,979)	(116,988)	(13,650)	(315,617)
Carrying amount at end of year				
- Cost	942,362	971,836	68,248	1,982,446
- Accumulated depreciation	(637,781)	(755,831)	(56,334)	(1,449,946)
	304,581	216,005	11,914	532,500
2003				
Cost at beginning of year	695,775	721,465	68,248	1,485,488
Accumulated depreciation previous year	(284,219)	(450,855)	(29,034)	(764,108)
	411,556	270,610	39,214	721,380
Purchases current year	252,327	140,767	-	393,094
Disposals current year	(2,875)	(10,061)	-	(12,936)
Depreciation current year	(168,583)	(187,988)	(13,650)	(370,221)
Carrying amount at end of year				
- Cost	945,227	852,171	68,248	1,865,646
- Accumulated depreciation	(452,802)	(638,843)	(42,684)	(1,134,329)
	492,425	213,328	25,564	731,317

4 Intangible assets

	2004 R	2003 R
Computer Software		
Cost at beginning of year	218,206	217,615
Accumulated amortisation previous year	(158,582)	(85,950)
	59,624	131,665
Purchases current year	284,289	591
Amortisation current year	(45,980)	(72,632)
Carrying amount at end of year		
- Cost	502,495	218,206
- Accumulated amortisation	(204,562)	(158,582)
	297,933	59,624

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

5 Provisions for liabilities and charges

	Leave pay	Legal cost	Total
	R	R	R
At 1 April 2002	254,229	550,000	804,229
Charged to income statement	<u>(98,294)</u>	<u>-</u>	<u>(98,294)</u>
At 31 March 2003	<u>155,935</u>	<u>550,000</u>	<u>705,935</u>
At 1 April 2003	155,935	550,000	705,935
Charged to income statement	<u>42,879</u>	<u>(150,000)</u>	<u>(107,121)</u>
At 31 March 2004	<u>198,814</u>	<u>400,000</u>	<u>598,814</u>

	2004 R	2003 R
6 Accounts receivable and prepayments		
CEMS operator	131,213	85,373
VAT receivable	126,330	154,610
Accrued interest	54,952	52,976
Conference - deposits	411,868	3,450
Other	<u>51,209</u>	<u>33,217</u>
	<u>775,572</u>	<u>329,626</u>
7 Board Members' and executive member's remuneration		
Board Members (non-executive)		
Services as Board Members	570,133	435,795
Executive member		
Services as Chief Executive Officer (Total remuneration package)	516,295	680,500
	<u>1,086,428</u>	<u>1,116,295</u>
8 Professional and consulting fees		
Research	125,905	505,775
CEMS	67,786	85,373
Internal auditors' fees	114,429	106,009
Probity investigations for new appointments	80,097	-
Audit committee fees	30,438	15,660
Organisational structure review	47,600	-
Miscellaneous	<u>48,197</u>	<u>46,695</u>
	<u>514,452</u>	<u>759,512</u>
9 Personnel cost		
Remuneration	5,212,015	5,265,765
Staff risks insurance and administration of the Provident Fund	183,758	167,434
Recruitment	272,383	235,002
Training	<u>145,927</u>	<u>87,885</u>
	<u>5,814,083</u>	<u>5,756,086</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

10 Losses

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.

11 Cash utilised by operations

Reconciliation of net income to cash utilised by operations

	2004 R	2003 R
(Deficit) / surplus for the year	(498,393)	287,668
Adjustments for		
Net interest income	(696,658)	(814,442)
Depreciation	315,617	370,221
Amortisation of computer software	45,980	72,632
Profit on disposal of assets	(7,627)	(15,741)
Decrease in provisions	(107,121)	(98,294)
Changes in working capital		
(Increase)/decrease in accounts receivable and prepayments	(445,946)	124,339
Decrease in accounts payables and accruals	(187,247)	(25,857)
Decrease in deposit held in trust	(22,140)	(227,860)
Cash utilised by operations	<u>(1,603,535)</u>	<u>(327,334)</u>

12 Cash and cash equivalents

Current account (ABSA Bank)	130,896	61,130
Call account (ABSA Bank)	6,080,367	7,450,655
Call account (Reserve Bank)	12,084	11,023
Cash on hand	1,622	2,500
	<u>6,224,969</u>	<u>7,525,308</u>

13 Non-capital commitments

Operating leases

Lease rental for premises and photocopiers - current year

1,022,040	914,775
-----------	---------

The future minimum lease payments under non-cancelable operating leases for the Board's offices and photocopiers are as follows:

• Within 1 year - lease rental	926,832	673,283
Within 1 year - photocopiers	19,605	21,468
• 1 to 5 years - lease rental	-	939,312
1 to 5 years - photocopiers	3,102	32,212
	<u>949,539</u>	<u>1,666,275</u>

The Board will still be liable for payment of the lease rentals on the existing premises occupied until the end of the term of the lease irrespective of the date of the move to the **difi** campus. The lease agreement terminates on 31 May 2005. Therefore R926 832 is the total amount payable as per the lease agreement with the lessor and no further amounts will become payable as a result of the move during the next financial year.

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	-
• Consultants to assist with the implementation of a probity and exclusion national database	-	2,000,000
	<u>238,184</u>	<u>2,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

14 Capital commitments

	2004 R	2003 R
Contracted commitments existed in respect of:-		
Acquisition of office furniture and software	-	112,022
National Database (Molepe Business Solutions)	1,276,600	-
	<u>1,276,600</u>	<u>112,022</u>

15 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.

16 Provision for doubtful debt

2003

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. This led to the withdrawal of the operator's technology subcontractor shortly before 31 March 2002, resulting in a submission by the operator of a revised proposal based on a new technology subcontractor and software platform. This necessitated re-evaluation of the revised technical solution as well as the financial viability thereof. As a result uncertainty existed about the outcome of the revised proposal and therefore a provision for doubtful debt was raised.

The amount was received during the year and the provision was therefore reversed.

2004

Nil

17 Accumulated surplus

The accumulated surplus is made up of funds for which approval has been received from National Treasury to retain for purposes of funding commitments at year end and to supplement funding of the budget for 2004/2005.

18 Contingent Liabilities

2003

Lease for the office

There is a possibility that NGB will be moving to other premises before the lease expires and that implies paying penalties. The extent of penalties cannot be ascertained as yet as the date of the move is not yet confirmed.

2004

Nil

19 Fruitless and wasteful expenditure

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

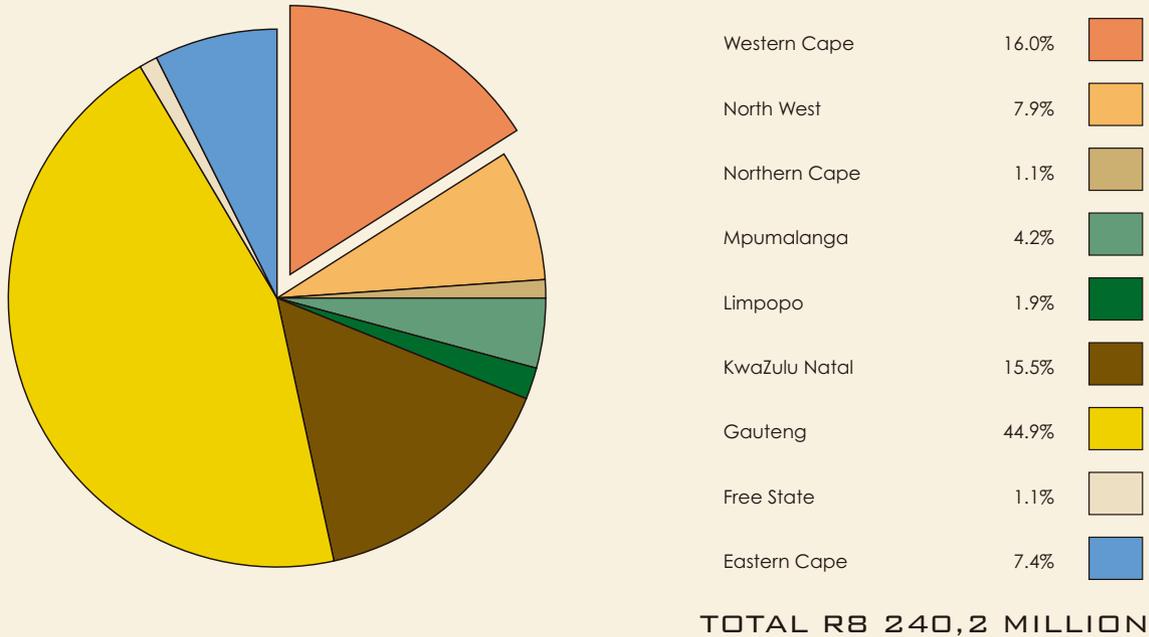
2003

During the current financial year an amount of R4,907 in interest was incurred in connection with late payment of VAT. This related to the R2m doubtful debt received (refer to note 16) which SARS argues should have been paid when the invoice was raised and not when the money was received. However there are still negotiations with SARS to reverse this amount.

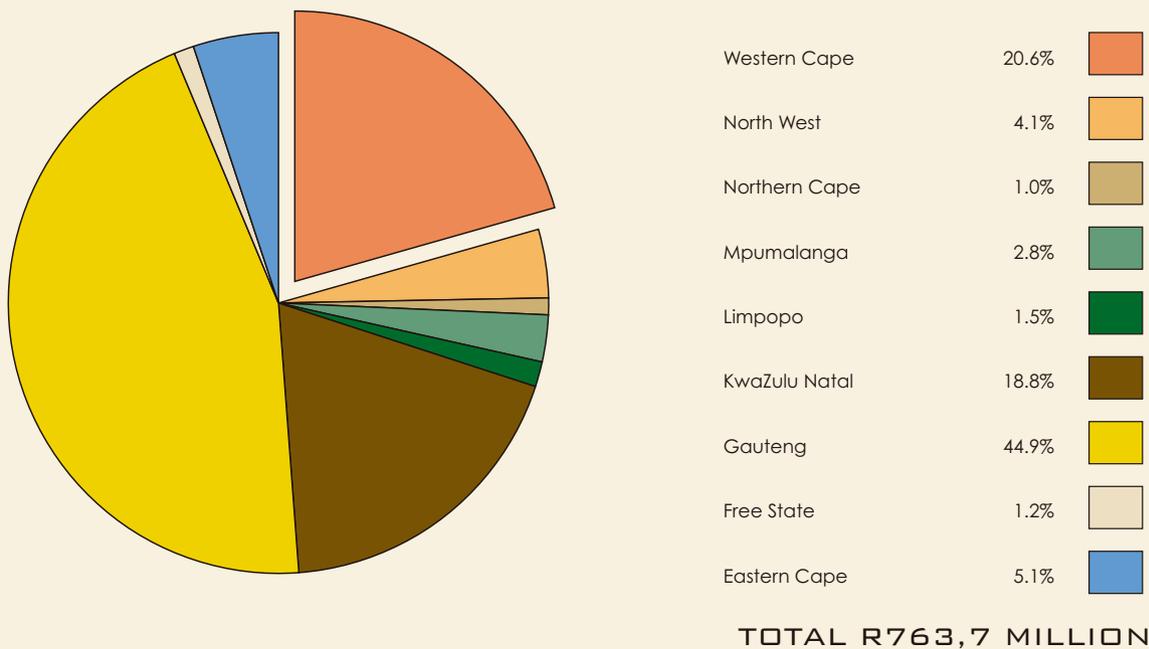
2004

Nil

Gross gambling revenue per province - all modes (Financial year ended 31 March 2004)



Gambling tax / levy collected per province - all modes (Financial year ended 31 March 2004)

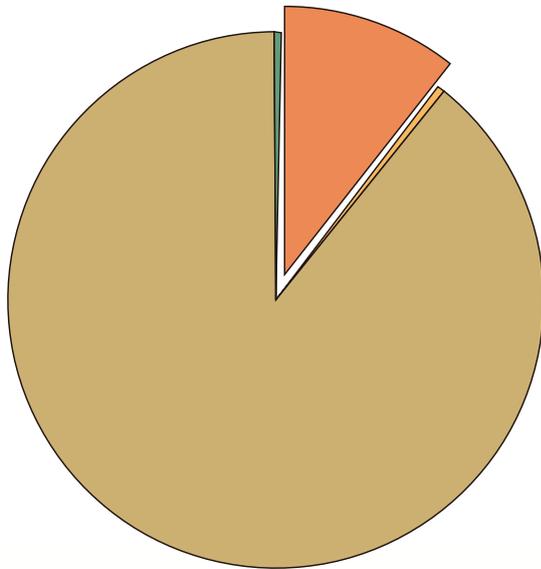


- Compiled from unaudited data received from provincial licensing authorities
- Gross gambling revenue refers to the value of the gross win of an operator before deducting gambling taxes/levies and VAT

STATISTICS

FOR THE YEAR ENDED 31 MARCH 2004

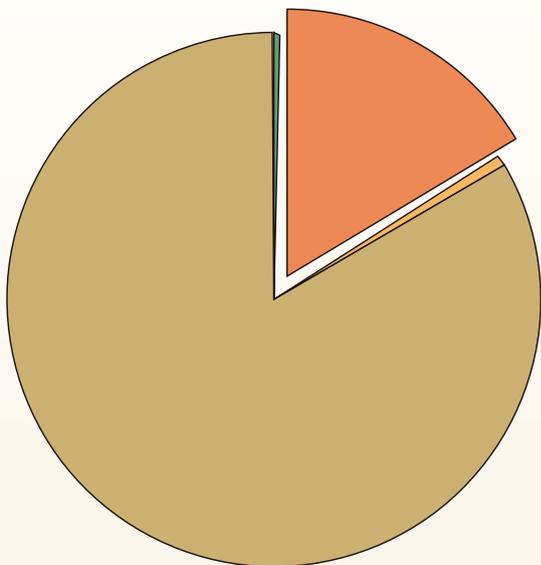
Gross gambling revenue per gambling mode (Financial year ended 31 March 2004)



Betting	10.6%	
Bingo	0.2%	
Casinos	89.1%	
LPMs	0.1%	

TOTAL R8 240,2 MILLION

Gambling tax / levy collected per gambling mode (Financial year ended 31 March 2004)



Betting	16.4%	
Bingo	0.2%	
Casinos	83.3%	
LPMs	0.1%	

TOTAL R763,7 MILLION

- Compiled from unaudited data received from provincial licensing authorities
- Gross gambling revenue refers to the value of the gross win of an operator before deducting gambling taxes/levies and VAT

ILLEGAL GAMBLING STATISTICS

IN THE REPUBLIC OF SOUTH AFRICA

STATISTICS FOR THE FINANCIAL YEAR 2003/04

Provincial Licensing Authority	Eastern Cape	Free State	Gauteng	KwaZulu Natal	Mpumalanga	Northern Cape	Northern Province	North West	Western Cape	Total
Number of raids/closures	7	18	46	91	17	2	461	27	70	739
Number of raids (fahfee)	0	0		0	0	0	32	0	0	32
Confiscated gambling machines	55	183	202	263	52	13	17	2356	420	3561
Confiscated gambling tables	0	2	3	0	0	0	0	4	0	9
Confiscated computer devices	2	0	0	0	0	0	0	0	117	119
Case convictions	0	1	1	1	0	1	40	0	1	45
Acquittals	0	0	0	0	0	0	0	0	0	0
Admission of guilt	0	13	35	80	12	0	23	0	60	223
Withdrawals	10	3	0	1	1	1	0	22	6	44
Forfeited gambling machines	0	493	153	223	43	12	17	0	398	1339
Forfeited gambling tables	80	0	3	0	0	0	0	0	0	83
Forfeited computer devices	0	0	0	15	0	0	0	0	117	132
Returned gambling machines	0	0	0	0	0	0	0	1959	0	1959
Returned gambling tables	0	0	0	0	0	0	0	4	0	4
Returned computer devices	0	0	0	0	0	0	0	0	0	0
Destroyed gambling machines	0	86	1280	192	1	0	17	0	658	2234
Destroyed gambling tables	0	0	0	0	0	0	0	0	0	0

* NC inactive since the First quarter

CASINOS IN THE REPUBLIC OF SOUTH AFRICA

PROVINCE	AREA	LOCATION	NAME OF RESORT	DATE OPENED	CASINO OPERATOR	TOTAL CAPITAL MANAGEMENT CO.	TEMPORARY or PENDING INVESTMENT (R million)	PERMANENT CASINOS Tables	CURRENT STATUS Tables	September 2003	
											Slots
1	Eastern Cape	Port Elizabeth	The Boardwalk	Oct-00	Emfuleni Resort	Sun Inter. Management	533		19	Permanent casino - Feb 01	
2	Eastern Cape	East London	Hemingways Casino	Sep-01	Tsogo Sun Emonit	MGM Grand SA	222		12	Permanent casino - May 02	
3	Eastern Cape	Queensdown								No licence issued	
4	Eastern Cape	Umtata								No licence issued	
5	Eastern Cape	Zone 5	Wild Coast Sun	Dec-81	Transkei Sun Int.	Sun Inter. Management	Existing		16	Existing operation - opened Dec 81. New licence issued Oct 99	
6*	*Free State	Zone 1	Thabaz'Nchu Sun	Oct-85	Sun International	Sun Inter. Management	Existing	177		One casino in Zone 1 has to be closed or moved.	
	*Free State	Zone 1	Naledi Sun	May-89	Sun International	Sun Inter. Management	Existing	120		Casino has to be closed	
7	Free State	Zone 2	Goldfield Casino	Dec-03	Goldfield Casino	CAI GoldReef Management	65	235	6		
8	Free State	Zone 3								License issued - May 03	
9	Free State	Zone 4								License issued - Sept 03	
10	Gauteng	Fourways	Monte Casino	Sep-98	Tsogo Sun Gauteng	MGM Grand SA	1,462		70	Permanent casino - Nov 00	
11	Gauteng	Golf Reef City	Gold Reef City	Nov-98	Akani Egoli	Casinos Austria Int.	910		50	Permanent casino - Mar 00	
12	Gauteng	Vanderbijlpark	Emerald Safari Resort	Nov-98	Emerald Casino	London Clubs Int.	624		24	Permanent casino - May 01	
13	Gauteng	Kempton Park	Caesars	Dec-98	Global Resorts Southern Highway (Pty) Ltd	Caesars Global Resorts Management	1,300		50	Permanent casino - Sept 00	
14	Gauteng	Brakpan	Carnival City	Dec-98	Afriso Sun Gauteng	Sun Inter. Management	870		60	Permanent casino - Oct 99	
15	Gauteng										
16	Kwazulu-Natal	Zone 1	Greater Durban (Village Green)	Nov-02	Tsogo Sun KZN	MGM Grand SA	1,400		50	Permanent casino - Dec 02	
17	Kwazulu-Natal	Zone 1	North Durban (Mt Edgecombe)	Feb-01	Afriso Sun KZN	Sun Inter. Management	917	888	30	Temporary casino - Feb 01	
18	Kwazulu-Natal	Zone 2	Sugmilli - Shaya Resorts	May-02	Emnanzini Leisure Resorts	Tusk Management Co.	171	300	10	Temporary casino - May 02	
19	Kwazulu-Natal	Zone 3	Tusk Umfolozi Casino	Sep-99	Balele Leisure	Wintin Casino Operators	176	200	7	Temporary casino - Sept 99	
20	Kwazulu-Natal	Zone 4	Monte Vista Casino & Resort	Sep-01	Akani Msunduzi	Casinos Austria Int.	204		22	Permanent casino - Sept 01	
21	Mpumalanga	Zone 1	Golden Horse	Mar-98	Tsogo Sun	MGM Grand SA	152		12	Permanent casino - Sept 02	
22	Mpumalanga	Zone 2	Wilbank	Oct-97	Global Resorts Highway	Global Resorts SA	220		16	Permanent casino - July 98	
23	Mpumalanga	Zone 3	Graceland Hotel & Casino	Oct-97	Tsogo Sun	MGM Grand SA	144		12	Permanent casino - Nov 99	
24	Mpumalanga	Zone 4	Enmoweni Casino							No licence issued	
25	Limpopo		Pilgrims Rest/Lydenburg/Bushbuck							Permanent casino - Mar 02	
26	Limpopo		Meropa Entertainment World	Mar-02	Sun International	Sun Inter. Management	208		12	Permanent casino - Mar 02	
27	Limpopo									No licence issued	
28	Northern Cape	Thohoyandou	Yenda Sun	Jul-83	Tusk Resorts	Tusk Management Co.	Existing		7	Existing operation - Sun Int sold to Tusk Jan 01	
29	Northern Cape	Kimberley	Flamingo	Mar-02	Teemane	Sun Inter. Management	110		9	Permanent casino - Mar 02	
30	Northern Cape	Upington	Desert Palace Hotel Resort	Jun-00	Desert Palace	Kairo Management Co.	40	145	7	Temporary casino - June 00	
31	Northern Cape	Colesberg								No licence issued	
32	Northern Cape	Mmabatho	Tusk Mmabatho	Dec-78	Tusk Resorts	Tusk Management Co.	Existing		8	Sun International sold to Tusk Resorts - Jan 99	
33	Northern Cape	Pietersburg	Sun City	Dec-79	Sun International	Sun Inter. Management	Existing		46	Existing operation	
34	Northern Cape	Taung	Tusk Taung	Oct-88	Tusk Resorts	Tusk Management Co.	Existing		17	Existing operation	
35	Northern Cape	Mabopane	Morula Sun	Jun-87	Sun International	Sun Inter. Management	Existing		23	Sun International sold to Tusk Resorts - Jan 99	
36	Western Cape	Zone 1	Hamanskraal	Nov-91	Sun International	Sun Inter. Management	Existing		62	Existing operation	
37	Western Cape	Zone 2	Cape Metropole (Goodwood)	Dec-00	Sun West Int.	Sun Inter. Management	1,700		12	Permanent casino - Dec 00	
38	Western Cape	Zone 3	Garden Route	Dec-02	Phinacle Point Casino	Gold Reef Management	126		8	Permanent casino - Dec 02	
39	Western Cape	Zone 4	Worcester							No licence issued	
40	Western Cape	Zone 5	Caledon casino	Oct-00	Caledon casino Bid Co.	Century Casino Inc.	105		8	Permanent casino - Oct 00	
			Club Mykonos Langkakaan	Nov-00	West Coast Leisure	CAI GoldReef Management	67		9	Permanent casino - Oct 00	
							11,726	2,075	70	17,126	626
							10,200	2,075	70	15,626	564
							1,526	0	0	1,500	62
							11,726	2,075	70	17,126	626

Key No licence issued

Effective date 31-Jul-03

*The National Gambling Act caters for a maximum of 4 licenses in the Free State province
*Therefore, one of the two licenses in zone 1 will be closed as soon as a license is issued in zone 4.

ADMINISTRATION

Board Members

Messrs	CL Fismer - Chairperson J Lukwago-Mugerwa DW Auret TN Aboobaker SM Maja J Booysen N Kgothadi MW Ngobeni HM Tsengiwe T W Majake - Ex Officio R Lubbe VS Ngobe V Nzimande	Resigned July 2003 Resigned June 2003 Resigned July 2003 Appointed October 2003 Appointed June 2003
Mesdames	LJN Kganyago PE Makhele-Gaoboihi T Moja A Ludin	

Audit Committee

Messrs	JFJ Scheepers - Chairperson N Kgothadi J Booysen SV Ngobe	Resigned June 2003 Appointed August 2003 Appointed August 2003
Ms	L Mthimunya T Mahlali	Resigned August 2003 Appointed October 2003

Chief Executive Officer

Adv TW Majake

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