National Gambling Board
South Africa
a member of the dti group

GAMBLING SECTOR PERFORMANCE IN SOUTH AFRICA (FY2016)

ACKNOWLEDGEMENTS

The following PLAs contributed to the compilation of this report by submitting audited provincial gambling statistics and information about market conduct:

- Eastern Cape Gambling and Betting Board
- Free State Gambling and Liquor Authority
- Gauteng Gambling Board
- KwaZulu-Natal Gaming and Betting Board
- Limpopo Gambling Board
- Mpumalanga Gambling Board
- Northern Cape Gambling Board
- North West Gambling Board
- Western Cape Gambling and Racing Board

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FOREWORD

One of the key responsibilities of the National Gambling Board (NGB), as mandated by the National Gambling Act (NGA), 7 of 2004, Section 65(2)(e), is to monitor market conduct and market share in the South African gambling industry. In doing so, the NGB gathers national gambling statistics and information related to market conduct and market share from all Provincial Licensing Authorities (PLAs).

This enables the NGB to publish audited statistics annually on its website to keep its stakeholders and the public informed about turnover, the generation of Gross Gambling Revenue (GGR), the collection of taxes/levies, as well as return to player.

Further to this, the collection of detailed information per gambling operator, province and mode enables the NGB to map the size and nature of the South African gambling industry, as well as to monitor trends and growth in the various gambling sectors. The NGB has successfully managed to compile comprehensive reports since FY2012 on the status and growth of the gambling industry, as well as share the latest trends with its external stakeholders and the public.

The NGB has pleasure in sharing the latest trends related to gambling sector performance and especially national gambling statistics and market conduct information as at the end of Financial Year (FY) 2016. We trust that our stakeholders and the public will find the content informative, useful and beneficial.

The NGB would also like to extend its gratitude to all PLAs for submitting information and statistics as required, without which this report would not have been possible.

Ms Caroline Kongwa
Accounting Authority

CONTENTS

ACRONYMS

B-BBEE	Broad-Based Black Economic Empowerment
EBT	Electronic Bingo Terminal
EC	Eastern Cape
FS	Free State
FY	Financial Year
GDP	Gross Domestic Product
GGR	Gross Gambling Revenue
GT	Gauteng
KZN	KwaZulu-Natal
L	Limpopo
LPM	Limited Payout Machine
MP	Mpumalanga
NC	Northern Cape
NCEMS	National Central Electronic Monitoring System
NGA	National Gambling Act
NGB	National Gambling Board
NW	North West
PLA	Provincial Licensing Authority
Qrt	Quarter
RTP	Return to player
the dti	the Department of Trade and Industry
TO	Turnover
WC	Western Cape

EXPLANATORY NOTES

TERM	EXPLANATION
Bingo	Bingo means a game played in whole or in part by electronic means that is played using cards or other devices; that are divided into spaces each of which bears a different number, picture or symbol; and which are arranged randomly such that each card or similar device contains a unique set of numbers, pictures or symbols; in which an operator calls or displays a series of numbers, pictures or symbols in random order and the players match each such number, picture or symbol on the card or device as it is called or displayed; and the player who is first to match all the spaces on the card or device, or who matches a specified set of numbers, pictures or symbols on the card or device, wins a prize.
Bookmaker	A bookmaker, bookie or turf accountant is a person or organisation that takes bets on various events or contingencies such as horse racing, football, rugby union or marriages, births, names, divorces and even in extreme cases deaths etc. at agreed upon odds (fixed odds). A bookmaker may be licensed to operate on or off-course, that is at licensed premises, other than a race course.
Casino	A casino is a facility which is licensed to house and accommodate certain types of licensed casino style slots and table gambling games.
Employment (direct)	Key (licensed) and other gaming (licensed) employees.
Gambling machine/ slot machine used interchangeably	A slot machine, informally known as a fruit machine, is a casino gambling machine with three or more reels which spin when a button is pushed or a handle is pulled (older mechanical types). These slot machines are also known as one-armed bandits because of the one lever on the side of the machine (the arm) and because of their ability to leave the gamer penniless (bandit). The machine pays off based on patterns of symbols visible on the front of the machine when it stops. Slot machines are the most popular gambling method in casinos and constitute about 80% of the average casino's income.
Gross Gambling Revenue (GGR)	Gross gambling revenue is defined as the Rand value of the gross revenue of an operator in terms of turnover less winnings paid to players.
Horse racing	Horse racing is the sport in which horses and their riders take part in races, typically with substantial betting on the outcome.

TERM	EXPLANATION
Licenced (all modes and outlets)	Licensed is when a person or company is in possession of a valid licence, registration card or certificate allowing him/them to offer approved gambling activities within licensed premises to over 18 year old persons.
Limited Payout Machine (LPM)	Limited payout machine means a gambling machine outside of a casino in respect of the playing of which the stakes and prizes are limited.
Route Operator (RO)	Route operator is a juristic person which is licensed to own and operate limited payout machines, maintain and effect the collection of money and paying of taxes and levies in respect of all machines under its licence.
Site Operator (SO)	Site operator is a natural or juristic person licensed to manage limited payout machines owned by a route operator on his licensed premises (also known as a site) and to make them available to be played by members of the public.
Table game	In casinos, the term table game is used to distinguish games such as blackjack, craps, roulette and baccarat that are played on a table and operated by one or more live dealers like a croupier or poker dealer.
Taxes/levies	Gambling tax levied by and collected by provincial licensing authorities.
Totalisator/Pari-Mutuel betting used interchangeably	Totalisator is the name for the automated pool betting system which runs pari-mutuel betting, calculating payoff odds, displaying them, and producing tickets based on incoming bets. Parimutuel betting is a betting system in which all bets of a particular type are placed together in a pool; taxes and the "house-take" are removed, and payoff odds are calculated by sharing the net pool among all winning bets.
Turnover (TO)	Turnover is the rand value of money wagered. This includes "recycling" which refers to amounts that are staked on more than one occasion). "TO" in the fixed odds/bookmaking environment is, however, different from other forms of gambling in that the amount of money crossing the table is NOT seen as turnover, because the amount of money staked / wagered / bet on an event is returned to the player should the player win the wager / bet, so a true description of turnover in fixed odds/ bookmaking parlance is money wagered minus the stakes wagered on winnings bets = fixed odds/bookmaking turnover.

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EXECUTIVE SUMMARY

The National Gambling Board (NGB) is mandated in terms of the National Gambling Act (NGA), 7 of 2004, Section 65(2)(e) to monitor gambling performance, within the gambling sector in the Republic of South Africa. NGB gathers relevant information from all Provincial Licensing Authorities (PLAs) in terms of the number of market conduct, national gambling statistics, transformation and direct employment figures. This report aims to provide an overview of, and to indentify trends since FY2014, per gambling sector and province. However, the main focus of this report is on audited information relevant to the Financial Year (FY) 2016, Quarters 1, 2, 3 & 4 (1 April 2015 to 31 March 2016). It is imperative to take heed of the fact that the NGB cannot be held responsible for the accuracy and correction of information supplied by PLAs.

The generation of Gross Gambling Revenue (GGR) in the casino industry increased by 0.6% from FY13 to FY14, by 4.5% from FY14 to FY15, and by 5.8% to FY16. The number of operational casinos positions increased by 4.7% from 31 860 (FY14) to 33 360 (FY15), and by only 0.8% to 33 618 (FY16, Quarter 4). Increases in operational gambling positions in casinos were recorded in five provinces during FY15 to FY16.

The betting on horse racing and sport industry recorded substantial, consistant and the highest growth in GGR generated compared to all other modes of gambling i.e. by 9.1% from FY13 to FY14, by 22.2% from FY14 to FY15, and by 28.5% from FY15 to FY16. This is mainly as a result of major increases in the generation of GGR by bookmakers offering betting on sport, as is still the case at the end of FY16, Quarter 4. GGR generated by bookmakers offering betting on sport increased by 36.0% from FY13 to FY14, by 59.9% to FY15, and by 50.9% to FY16.

Compared to FY15, the growth in GGR generated in the Limited Payout Machine (LPM) industry for FY16 has dropped. An increase by 17.8% from FY13 to FY14 and by 19.6% from FY14 to FY15 was recorded, however followed by only an 13.7% increase from FY15 to FY16. The number of active LPMs increased by 10.7% from FY14 to FY15, and by 6.4% from FY15 to FY16, Quarter 4. This is mainly as a result of increases in the roll out of active LPMs from FY15 (10 279) to FY16, Quarter 4 (10 934) in all provinces, except Gauteng and Limpopo.

Although the bingo industry showed the highest growth (in percentage) in the generation of GGR, being reflected by an increase of 67.7% from FY13 to FY14, and by 52.5% from FY14 to FY15, less GGR was generated (mainly in Gauteng) in FY15 to FY16 compared to the previous FYs (decreased by 16.1% from FY15 to FY16). Initial high increases in GGR generated was mainly as a result of an increase of 36.5% in the number of operational bingo seats from FY13 to FY14, by 17.8% from FY14 to FY15, and by 12.3% from FY15 to FY16 (Quarter 4). An increase in the number of Electronic Bingo Terminals (EBTs) was recorded in Eastern Cape, as well as an increase in the number of traditional bingo positions in KwaZulu-Natal from FY15 to FY16.

In terms of the movement of the real GGR from all modes of gambling against real Gross Domestic Product (GDP), during the financial year FY16 from the 1st quarter to the 4th quarter, the growth rate of GGR from all modes of gambling followed an increasing trend compared to real GDP growth rate which declined over the all the quarters of the financial year. This indicates that despite a slowdown in the growth of the economy in the last financial year, gambling revenues increased in FY16.

Overall, GGR increased by 4.3% from R20,9 billion in FY13 to R21,8 billion in FY14, by 9.6% to R23,9 billion in FY15 and by 8.8% to R26.0 billion. A total amount of R 25 985 119 587 in GGR was generated during FY16. During FY16 casinos accounted for the highest GGR generated, being 70.2% as compared to other gambling modes. Compared to all other provinces, Gauteng at a 40.4% share, accounted for the highest amount of GGR generated. In general, the collection of taxes/levies increased by 6.6% from R2,1 billion in FY13 to R2,2 billion in FY14, by 10.7% to R2,5 billion in FY15 and by 11.9% to R2,8 billion in FY16. A total amount of R 2 770 743 912 in taxes/levies was collected during FY16. During FY16, at 71.1%, casinos contributed the highest amount of taxes/levies paid by comparison with other gambling modes. At 36.1% Gauteng accounts for the highest amount of taxes/levies paid compared to all other provinces.

At the end of FY2016, the South African gambling industry accounted for a total number of 23 081 direct employment positions. The provinces of Gauteng, Western Cape, KwaZulu-Natal and the Eastern Cape, and the casino industry were recorded as the main role players.

SNAP SHOT OF THE GAMBLING INDUSTRY FY15 AND FY16

Variable	FY2015 As at 31 March 2015	FY2016 Market conduct – as at Quarter 4 Statistics – Total all quarters	FY2016 Quarter 1	FY2016 Quarter 2	FY2016 Quarter 3	FY2016 Quarter 4
Operational casinos	37	38	38	38	38	38
Operational slots (casinos)	23 708	24 070	23 913	23 597	23 935	24 070
Operational tables (casinos)	916	889	898	908	892	889
Operational gambling positions (casinos)	33 360	33 618	33 793	33 497	33 819	33 618
Operational totalisator outlets	402	444	403	448	441	444
Operational bookmakers	214	227	219	220	218	227
Operational bookmaker outlets	435	457	423	436	454	457
Operational Limited Payout Machine (LPM) site operators	2 071	2 072	2 018	2 037	2 083	2 072
Installed LPMs	10 279	10 934	10 304	10 409	11 102	10 934
Operational bingo outlets	26	31	27	27	32	31
Operational bingo positions	5 369	6 032	5 457	5 469	6 031	6 032
National gambling statistics: Turnover (Qrt 1, 2, 3 & 4) Total: R358 359 106 940	R 319 717 291 862	R 358 359 106 940	R 82 245 297 893	R 94 882 069 730	R 90 725 920 006	R 90 505 819 311
National gambling statistics: GGR generated (Qrt 1, 2, 3 & 4) Total: R 25 985 119 587	R 23 893 934 269	R 25 985 119 587	R 6 126 801 892	R 6 404 665 285	R 6 696 362 747	R 6 757 289 664
National gambling statistics: Taxes/levies collected FY2016 (Qrt 1, 2, 3 & 4) Total: R2 770 743 912	R 2 476 683 639	R 2 770 743 912	R 633 328 904	R 759 032 481	R 693 480 961	R 684 901 566

ANNUAL GAMBLING SECTOR PERFORMANCE REPORT

AN OVERVIEW

FINANCIAL YEAR 2016 (1 APRIL 2015 TO 31 MARCH 2016) WITH TRENDS OVER TIME

CHAPTER 1
INTRODUCTION

1.1 The National Gambling Board (NGB) is mandated by the National Gambling Act (NGA), 7 of 2004, Section 65(2)(e) to monitor market conduct and market share.

1.2 NGB monitors market conduct (number of gambling positions and outlets in the South African gambling sector), and also gathers and analyses national gambling statistics in terms of turnover (TO), Gross Gambling Revenue (GGR) and the collection of taxes/levies. The NGB website is updated with a detailed Power Point presentation annually, which is based on audited information representative of that financial year.

1.3 The scope of this report covers information (market conduct and national gambling statistics) related to the following legalised gambling modes in South Africa (as regulated by the NGB) for Quarters 1, 2, 3 & 4 of the Financial Year (FY) 2016:

1.3.1 Casinos (tables and slots);

1.3.2 Betting on horse racing and sport (offered by bookmakers and totalisators, on and off course);

1.3.3 Limited Payout Machines (LPMs); and

1.3.4 Bingo (traditional and Electronic Bingo Terminals (EBTs)).

1.4 Quarterly statistics are sourced from Provincial Licensing Authorities (PLAs). FY16 (Quarters 1, 2, 3 & 4) information in this report is based on audited data.

1.5 NGB cannot be held responsible for the correctness of information (refer to the disclaimer).

1.6 The information in this report is applicable to the period of 1 April 2015 to 31 March 2016 (referred to as FY 2016), whereas Quarters are representative of the following specific periods:

1.6.1 Quarter 1: 1 April 2015 – 30 June 2015;

1.6.2 Quarter 2: 1 July 2015 – 31 September 2015;

1.6.3 Quarter 3: 1 October 2015 – 31 December 2015; and

1.6.4 Quarter 4: 1 January 2016 – 31 March 2016.

1.7 The purpose of this report is to provide an overview regarding the status and performance of the South African gambling sector (excluding the National Lottery) in terms of market conduct and national gambling statistics (1 April 2015 to 31 March 2016), as well as trends over time.

CHAPTER 2

NATIONAL GAMBLING STATISTICS

2.1 INTRODUCTION

2.1.1 The purpose of this section is to provide an overview of national gambling statistics (per gambling mode and province) based on provincial gambling statistics submitted by all PLAs during the reporting periods as indicated.

2.2 TURNOVER PER GAMBLING MODE AND PROVINCE, FY16

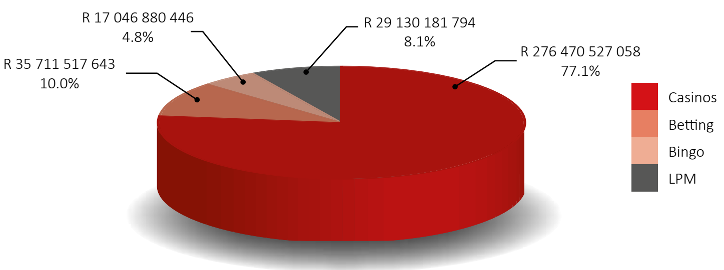
2.2.1 A total amount of R 358 359 106 940 was wagered in FY16 (Quarters 1, 2, 3 & 4). Casinos accounted for the highest TO at 77.1% by comparison with all other gambling modes as reflected in Graph 1. Gauteng accounted for the highest amount of TO in respect of all gambling modes, the total percentage being 45.9% as compared to other provinces as reflected in Graph 2.

2.3 GROSS GAMBLING REVENUE PER GAMBLING MODE AND PROVINCE, FY16

2.3.1 GGR increased by 9.6% from R21,8 billion in FY14 to R23,9 billion in FY15, and by 8.8% to R26,0 billion in FY16. A total amount of R 25 985 119 587 referred to as GGR was generated during FY16, Quarters 1, 2, 3 & 4.

2.3.2 During FY16, as at 31 March 2016, casinos accounted for the highest GGR being 70.2% as compared to other gambling modes. Compared to all other provinces, Gauteng at a 40.4% share, accounted for the highest amount of GGR generated. The GGR per gambling mode and province, as well as the trends are reflected in Graphs 3, 4 and 5.

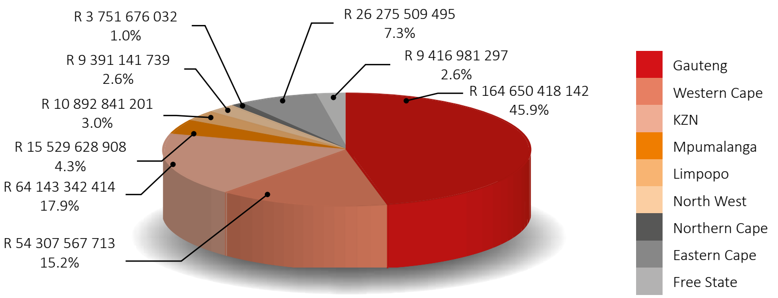
Turnover per gambling mode, all provinces, FY16, Quarters 1, 2, 3 & 4



Total turnover: R 358 359 106 940

Graph 1: Turnover per gambling mode, all provinces, FY16, Quarters 1, 2, 3 & 4

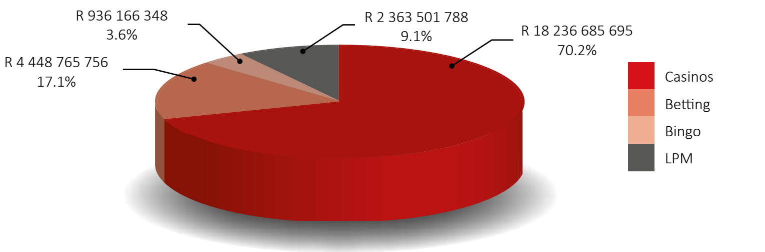
Turnover per province, all modes, FY16, Quarters 1, 2, 3 & 4



Total turnover: R 358 359 106 940

Graph 2: Turnover per province, all modes, FY16, Quarters 1, 2, 3 & 4

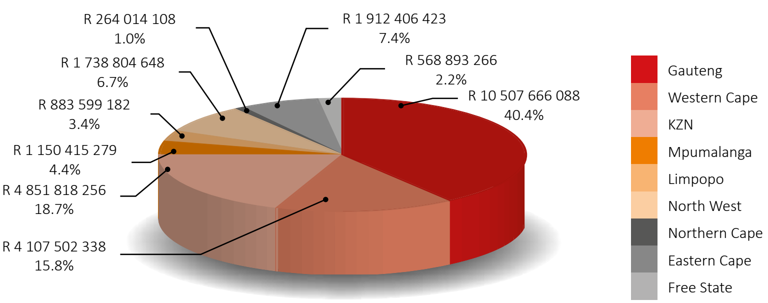
GGR per gambling mode, all provinces, FY16, Quarters 1, 2, 3 & 4



Total GGR: R 25 985 119 587

Graph 3: GGR per gambling mode, all provinces, FY16, Quarters 1, 2, 3 & 4

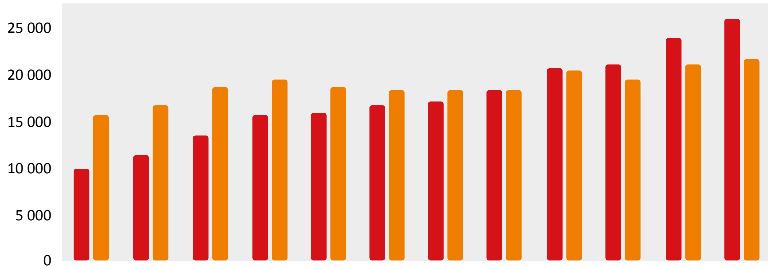
GGR per province, all modes, FY16, Quarters 1, 2, 3 & 4



Total GGR: R 25 985 119 587

Graph 4: GGR per province, all modes, FY16, Quarters 1, 2, 3 & 4

Trend in GGR (all modes), FY05 – FY16



	FY 04/05	FY 05/06	FY 06/07	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16
At currrent prices	9 918	11 400	13 520	15 618	15 921	16 268	17 140	18 417	20 914	21 803	23 894	25 985
At constant 2012 prices*	15 121	16 847	18 832	19 788	18 828	18 453	18 516	18 417	20 221	19 875	20 826	21 727

Consumer Price Index for calculation of constant figures sourced from South African Reserve Bank (2016)

Graph 5: Trend in GGR (all modes), FY05 – FY16

2.3.3 Analysis of the increase in GGR and gambling positions per gambling mode during the period FY15 (Quarters 1, 2, 3 & 4) and FY16 (Quarters 1, 2, 3 & 4), reflects the following trends as shown in Graphs 6 & 7 below:

i Since FY13, the highest increase in GGR generated in the casino industry was recorded from FY15 to FY16. GGR increased by 0.6% from FY13 to FY14, by 4.5% from FY14 to FY15, and by 5.8% to FY16.

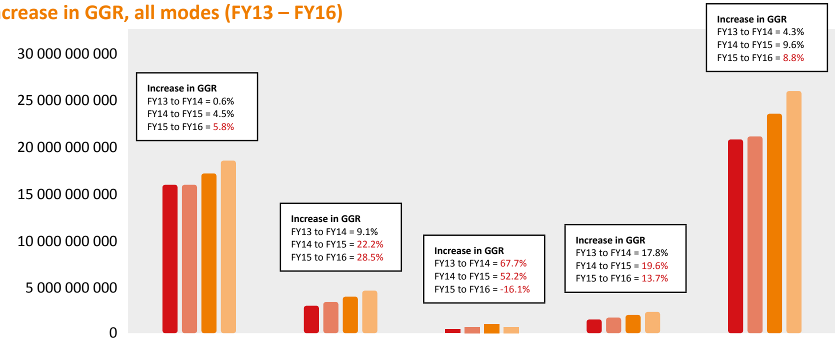
ii Compared to FY15, the growth in GGR generated in the LPM industry for FY16 has dropped. An increase by 17.8% from FY13 to FY14 and by 19.6% from FY14 to FY15 was recorded, however followed by only an 13.7% increase from FY15 to FY16.

iii The betting on horse racing and sport industry recorded substantial, consistant and the highest growth in GGR generated compared to all other modes of gambling i.e. by 9.1% from FY13 to FY14, by 22.2% from FY14 to FY15, and by 28.5% from FY15 to FY16.

iv Although the bingo industry showed the highest growth (in percentage) in the generation of GGR, being reflected by an increase of 67.7% from FY13 to FY14, and by 52.5% from FY14 to FY15, less GGR was generated (mainly in Gauteng) in FY15 to FY16 compared to the previous FYs (decreased by 16.1% from FY15 to FY16).

2.3.4 Graph 8 illustrates the real growth in GGR per gambling mode over the last three financial years and reveals that despite increases in the number of operational gambling positions in the casino, LPM and bingo sectors, there was a slowdown in the real growth in casino GGR in the financial years FY14 and FY15. This coincides with a fall in Gross Domestic Product (GDP)

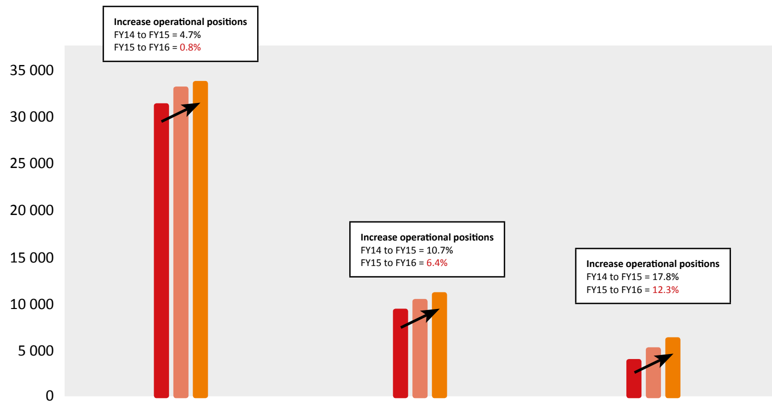
Increase in GGR, all modes (FY13 – FY16)



	GGR Casino	GGR Betting	GGR Bingo	GGR LPM	TOTAL
GGR, FY13	16 404 078 723	2 596 845 092	436 770 125	1 476 449 382	20 914 143 321
GGR, FY14	16 497 594 915	2 834 103 394	732 321 861	1 738 648 662	21 802 668 831
GGR, FY15	17 234 928 081	3 462 994 717	1 116 673 081	2 079 338 389	23 893 934 269
GGR, FY16	18 236 685 695	4 448 765 756	936 166 348	2 363 501 788	25 985 119 587

Graph 6: Increase in GGR, all modes (FY13 – FY16)

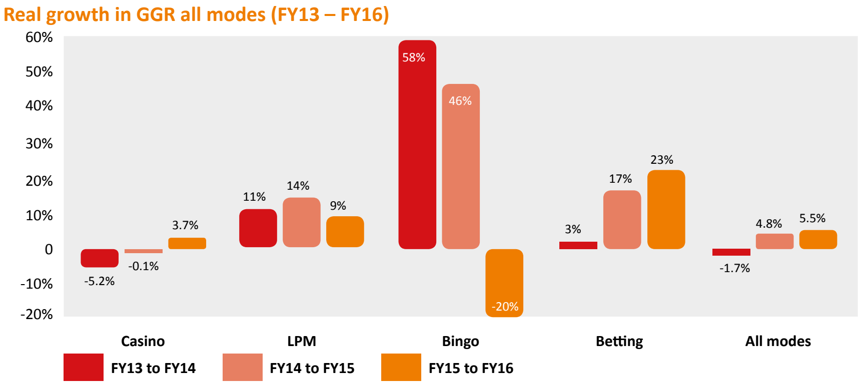
Increase in the number of gambling positions in the casino, LPM & bingo sectos (FY14 – FY16)



	Casino	Limited Payout Machines	Bingo
Operational positions, FY14	31 860	9 288	4 557
Operational positions, FY15	33 360	10 279	5 369
Operational positions, FY16	33 618	10 934	6 032

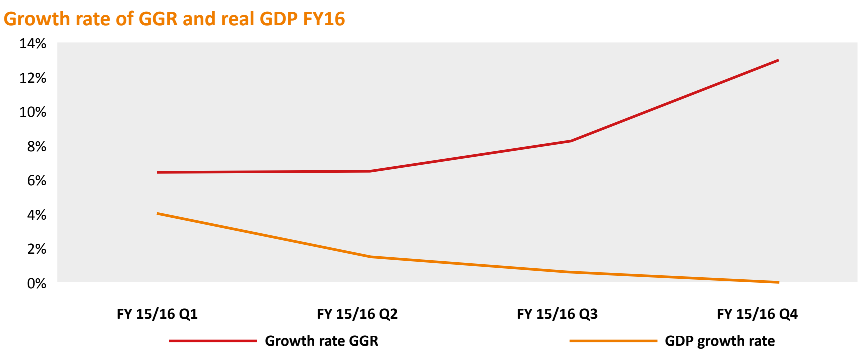
Graph 7: Increase in the number of gambling positions in the casino, LPM & bingo sectos (FY14 – FY16)

growth over the same period. However, LPM GGR and betting GGR increased in the FY14 and FY15 period, but bingo GGR fell from 58% in FY14 to 46% in FY15. Bingo GGR continued to register slow real growth in the FY16 whilst there was also a slowdown in the real growth in LPM GGR over the same period. Betting GGR, however, has shown an increase in real growth in the FY16 financial period of 23%.



Graph 8: Real growth in GGR all modes (FY13 – FY16)

2.3.5 The NGB also monitors the movement of the real GGR from all modes of gambling against real GDP as reflected in Graph 9 below. This indicates that despite a slowdown in the growth of the economy in the last financial year, gambling revenues increased in the last financial year.

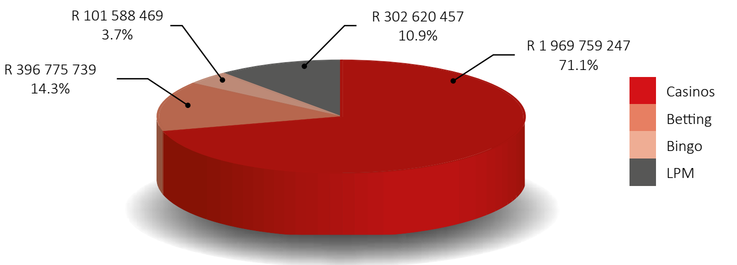


Graph 9: Growth rate of GGR and real GDP FY16

2.4 TAXES/LEVIES CONTRIBUTION PER GAMBLING MODE AND PROVINCE, FY14 – FY16

2.4.1 Taxes/levies increased by 6.6% from R2,1 billion in FY13 to R2,2 billion in FY14, by 10.7% to R2,5 billion in FY15, and by 11.9% to R2,8 billion in FY16. A total amount of R 2 770 743 912 was collected during FY16 (Quarters 1, 2, 3 & 4). During FY16 (Quarters 1, 2, 3 & 4), at 71.1%, casinos contributed the highest amount of taxes/levies paid by comparison with other gambling modes. At 36.1% Gauteng accounts for the highest amount of taxes/levies paid compared to all other provinces. Taxes/levies collected per gambling mode and province are reflected in Graphs 10 & 11 below.

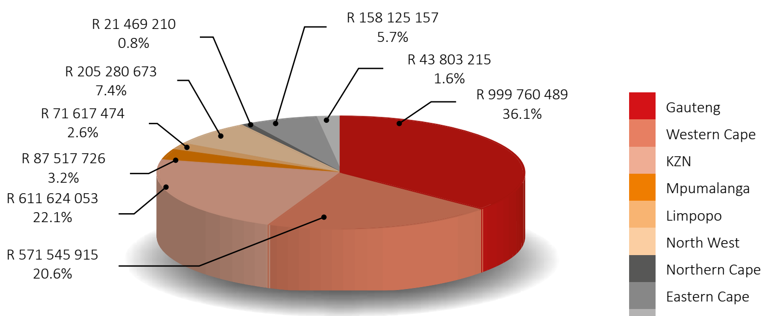
Taxes/levies per gambling mode, all provinces, FY16, Quarters 1, 2, 3 & 4



Total taxes/levies: R 2 770 743 912

Graph 10: Taxes/levies per gambling mode, all provinces, FY16, Quarters 1, 2, 3 & 4

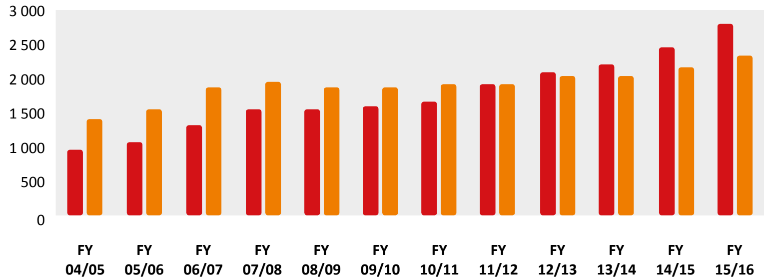
Taxes/levies per province, all modes, FY16, Quarters 1, 2, 3 & 4



Total taxes/levies: R 2 770 743 912

Graph 11: Taxes/levies per province, all modes, FY16, Quarters 1, 2, 3 & 4

Trends in taxes/levies per province (all modes), FY05 – FY16



	FY 04/05	FY 05/06	FY 06/07	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16
At currrent prices	925	1 068	1 300	1 520	1 539	1 575	1 670	1 834	2 098	2 237	2 477	2 771
At constant 2012 prices*	1 410	1 578	1 811	1 926	1 820	1 787	1 804	1 834	2 029	2 039	2 159	2 317

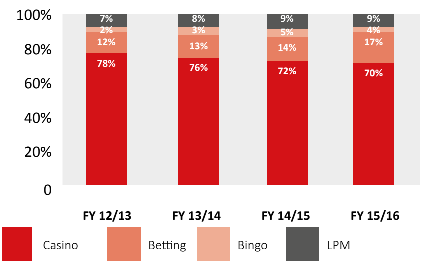
Consumer Price Index for calculation of constant figures sourced from South African Reserve Bank (2016)

Graph 12: Trends in taxes/levies per province (all modes), FY05 – FY16

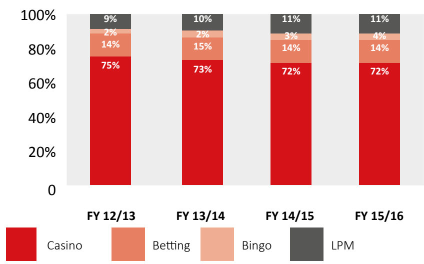
2.5 MARKET SHARE

2.5.1 From FY2012 to FY2016, the trend in market share shows that the share of casino GGR in the market has dropped by 8%, whilst the market share of gambling revenues from betting has increased. The market share of bingo GGR also fell to 4% in the 2015/16 financial year. In terms of taxes/levies collected, the share from casino gambling has decreased between 2012 and 2016. Contrary to an increase in the share of GGR from betting between FY2012 and FY2016, the share of taxes/levies collected from betting has decreased between FY2012 and FY2016.

Market share of gambling industry sectors by GGR from FY2012 to FY2016



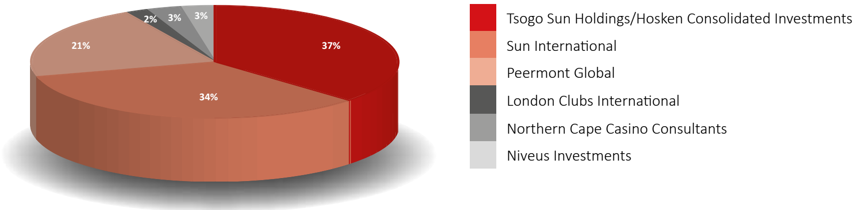
Market share of gambling industry sectors by taxes/levies contribution from FY2012 to FY2016



Graph 13: Market share of gambling industry sectors by GGR and Taxes/Levies collected (FY2012-FY2016)

2.5.2 The controlling shareholders for the 38 operational casinos are reflected by name in graph 14. Tsogo Sun Holdings is the controlling shareholder with respect to most of the operational casinos (14), whilst Sun International owns 13 casinos across South Africa. In terms of the LPM sector, the share of relevant route operators which are operational across the country are illustrated in table 1 below. Vukani Gaming operates LPMs in all 9 provinces, followed by Gold Rush Gaming which operates LPMs in 4 provinces and Grand Gaming which operates in 2 provinces. The rest of the route operators are licensed to operate LPMs in one province each.

Market share of ownership of operational casinos as at FY16



Graph 14: Market share of ownership of operational casinos as at FY16

Table 1: Ownership of LPM (Route Operators) by number of provinces occupied

	Ownership	Number of provinces occupied
1	Vukani Gaming	9
2	Grand Gaming	2
3	Gold Rush Gaming	4
4	Crazy Slots	1
5	Hot Slots	1
6	Kingdom Slots	1
7	KZN Slots	1
8	Luck@it	1
9	Galaxy Bingo	1
10	Great Bingo	1
11	Zimele	1
12	Independent Thaba Gare	1
13	Bathusi Investment	1
14	Hurtees	1
15	Pioneer	1

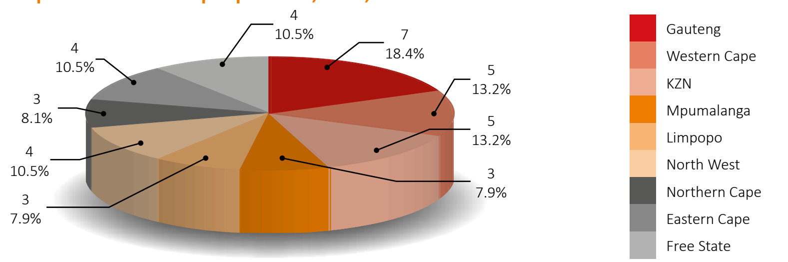
CHAPTER 3
CASINO SECTOR

3.1 MARKET CONDUCT

3.1.1 As at 31 March 2016 a total number of 38 casinos (a maximum of 40 licenses is provided for in the national legislation) are operational in South Africa.

3.1.2 Of the total casino market, the majority of the casinos are situated in Gauteng (7, 18.4%), compared to Western Cape and KwaZulu-Natal each hosting 5 casinos (13.2% respectively) as reflected in Graph 15 below.

Number of operational casinos per province, FY16, as at 31 March 2016

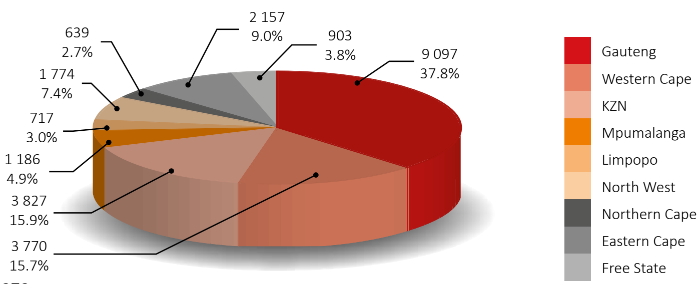


Total: 38

Graph 15: Number of operational casinos per province, FY16, as at 31 March 2016

3.1.3 As at 31 March 2016, Gauteng accounted for the highest number of licensed operational slots in casinos (9 097, 37.8%), compared to KwaZulu-Natal (3 827, 15.9%) and Western Cape (3 770, 15.7%). The hereto recorded number of operational slot machines has remained relatively stable with only a slight increase of 2.2% from FY14 (23 209) to FY15 (23 708), and an increase of 1.5% from FY15 to FY16 (24 070), Quarter 4. The slight increase can be attributed to the increase in the number of operational slot machines in KwaZulu-Natal, Limpopo, North West, Northern Cape, Eastern Cape and Free State.

Number of operational slots in casinos per province, FY16, as at 31 March 2016

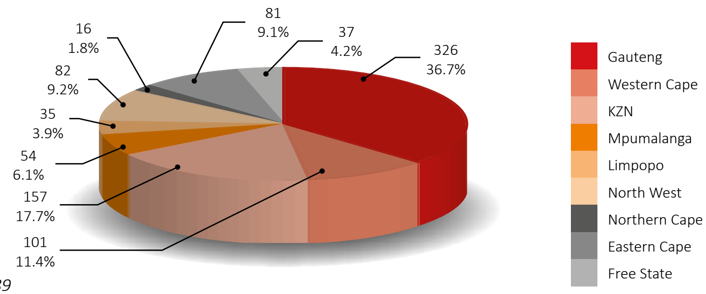


Total: 24 070

Graph 16: Number of operational slots in casinos per province, FY16, as at 31 March 2016

3.1.4 Gauteng accounts for the highest number of operational tables (326, 36.7%) out of a total of 889, compared to KwaZulu-Natal (157, 17.7%) and Western Cape (101, 11.4%) as at 31 March 2016, as reflected in Graph 17 below. Overall, the number of operational tables increased by 1.7% from 901 in FY14 to 916 in FY15; however, decreased by 3.0% from FY15 to FY16 (889), Quarter 4. The decrease is mainly attributed to a decrease in the number of operational tables in Western Cape and North West from FY15 to FY16.

Number of operational tables in casinos per province, FY16, as at 31 March 2016

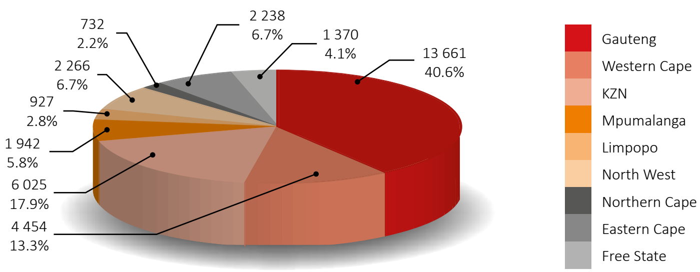


Total: 889

Graph 17: Number of operational tables in casinos per province, FY16, as at 31 March 2016

3.1.5 The number of operational gambling positions is calculated as the number of slots, plus the number of positions that each table represents at a casino. The number of positions per table differs depending on the nature of the table game, as well as the licensing conditions in a province. Gauteng has the highest number of casinos in South Africa (7 out of 38 operational casinos) and also accounted for the highest number of operational gambling positions in casinos (13 661, 40.6%), followed by KwaZulu-Natal (6 025, 17.9%) and Western Cape (4 454, 13.1%).

Number of operational positions in casinos per province, FY16, as at 31 March 2016



Total: 33 615

Graph 18: Number of operational positions in casinos per province, FY16, as at 31 March 2016

3.1.6 The number of operational gambling positions in casinos (slots and tables) increased by 4.7% from Quarter 4, FY14 (31 860) to Quarter 4, FY15 (33 360) and by 0.8% from FY15 to FY16, Quarter 4 (33 618), mainly as a result of increases in KwaZulu-Natal, Limpopo, Northern Cape, Eastern Cape and Free State from FY15 to FY16 as reflected in Graph 18.

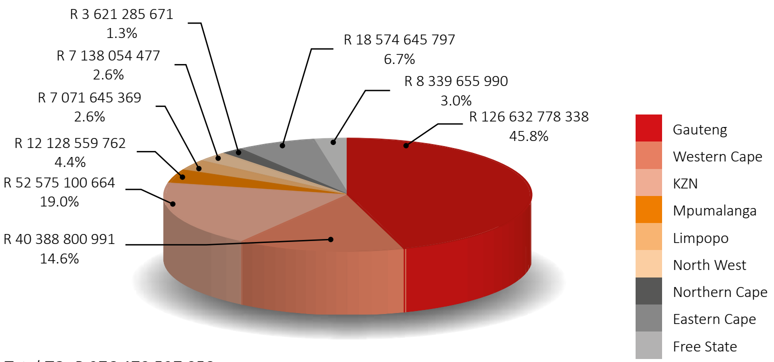
3.2 CASINO SECTOR GAMBLING STATISTICS

3.2.1 Turnover (money wagered) generated the casino sector per province in FY16, Quarters 1, 2, 3 & 4.

i The total Rand value of money wagered in casinos in FY16 during Quarters 1, 2, 3 & 4 was R 276 470 527 058. This amount represents 77.1% of the total turnover (money wagered) in all gambling modes, compared to money wagered at licensed betting on horse racing and sport, LPM and bingo outlets.

ii As at 31 March 2016, Gauteng has the highest number of casinos compared to other provinces resulting in the highest amount of money wagered during FY16, Quarters 1, 2, 3 & 4, at these gambling venues (45.8%). This is followed by money wagered in KwaZulu-Natal casinos (19.0%) and Western Cape (14.6%) as reflected in Graph 19 below.

Turnover casinos per province, FY16, Quarters 1, 2, 3 & 4



Total TO: R 276 470 527 058

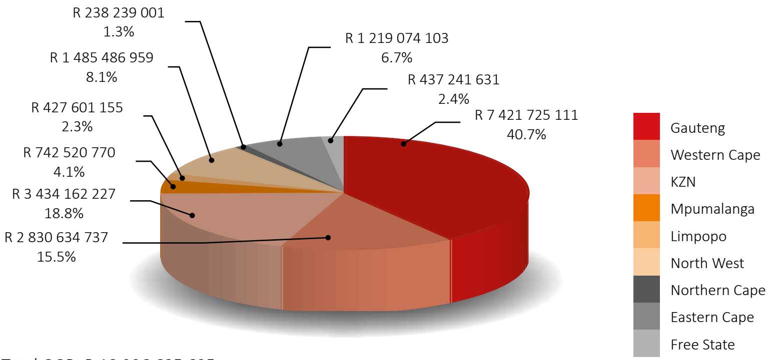
Graph 19: Turnover casinos per province, FY16, Quarters 1, 2, 3 & 4

3.2.2 Gross Gambling Revenue (GGR) generated in the casino sector per province, FY16, Quarters 1, 2, 3 & 4

i The total Rand value of GGR generated in casinos during FY16 during Quarters 1, 2, 3 & 4 was R 18 236 685 695. This amount represents 70.2% of the total amount of GGR generated by all gambling modes compared to GGR generated in the betting on horse racing and sport, LPM and bingo sectors. A 4.5% increase in GGR generated by the casino sector has been recorded for the period between FY14 (R 16 497 594 915) and FY15 (R 17 234 928 081) and 5.8% in FY16 (R 18 236 685 695). The overall increase in the generation of GGR from FY15 to FY16 is attributed to the increase of operational positions particularly in KwaZulu-Natal, Limpopo, Northern Cape, Eastern Cape and Free State as at 31 March 2016.

ii Gauteng has the highest number of casinos compared to other province resulting in the highest amount of GGR generated during FY16 (Quarters 1, 2, 3 & 4) in these gambling venues (40.1%), followed by KwaZulu-Natal (18.5%) and Western Cape (15.3%) as reflected in Graph 20 below.

GGR casinos per province, FY16, Quarters 1, 2, 3 & 4



Total GGR: R 18 236 685 695

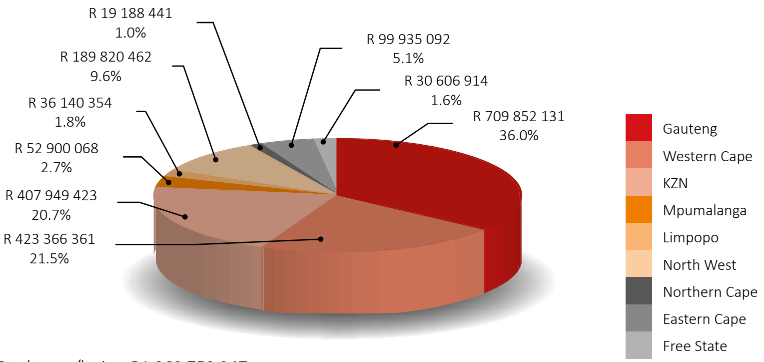
Graph 20: GGR casinos per province, FY16, Quarters 1, 2, 3 & 4

3.2.3 Taxes/levies collected by PLAs from the casino sector per province in FY16, Quarters 1, 2, 3 & 4

i The total Rand value of taxes/levies collected by PLAs from the casino sector in FY16 during Quarters 1, 2, 3 & 4 was R 1 969 759 247. This amount represents 71.1% of the total amount of taxes/levies collected from all gambling modes (inclusive of betting on horse racing and sport, LPMs and bingo). An increase of 9.2% in taxes/levies collected for the period from FY14 (R 1 639 968 977) to FY15 (R 1 791 214 932), and by 10.0% to FY16 (R 1 969 759 247) was reflected.

ii As at 31 March 2016 (FY16, Quarters 1, 2, 3 & 4), Gauteng accounts for the highest number of casinos by comparison with the other provinces resulting in the highest amount of taxes/ levies collected from these gambling venues (36.0%), followed by Western Cape (21.5%) and KwaZulu-Natal (20.7%) as reflected in Graph 21 below.

Taxes / levies casinos per province, FY16, Quarters 1, 2, 3 & 4



Total taxes/levies: R1 969 759 247

Graph 21: Taxes / levies casinos per province, FY16, Quarters 1, 2, 3 & 4

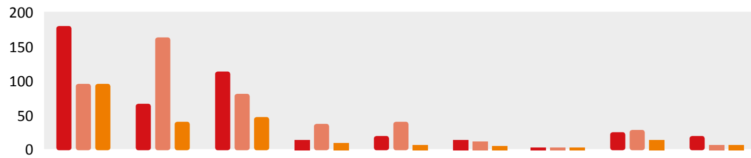
CHAPTER 4
BETTING ON HORSE RACING AND SPORT SECTOR

4.1 MARKET CONDUCT

4.1.1 Gold Circle is the totalisator operator in KwaZulu-Natal, and Phumelela in Gauteng, Mpumalanga, Limpopo, North West, Northern Cape, Eastern Cape and the Free State. Kenilworth Racing (totalisator) is operating in Western Cape, however, Phumelela currently manages the Western Cape racing operations on behalf of the Kenilworth Racing Trust. In essence, Phumelela has expanded its operations to include the Western Cape and has presence in eight provinces with the exception of KwaZulu-Natal. Trotco (Pty) Ltd t/a Ithotho is also licensed in KwaZulu-Natal as a totalisator and a racecourse operator. Telebet call centres are located in Gauteng and Eastern Cape. Licensed bookmakers are located in all the provinces throughout the Republic. Bets can be placed on horse racing and sport (on and off course), as well as on any other legal contingency.

4.1.2 As at 31 March 2016, Gauteng accounted for the highest number of licensed operational bookmakers (93, 41.0%), followed by KwaZulu-Natal (48, 21.1%) and Western Cape (40, 17.6%). The highest number of licensed operational bookmaker outlets are situated in the Western Cape (166, 36.3%), followed by Gauteng (93, 20.4%) and KwaZulu-Natal (78, 17.1%). Gauteng accounted for the highest number of licensed operational totalisator outlets (178, 40.1%), followed by KwaZulu-Natal (114, 25.7%) and Western Cape (59, 13.3%).

Number of licensed operational bookmakers, totalisator and bookmaker outlets FY16, as at 31 March 2016



	Gauteng	Western Cape	KwaZulu-Natal	Mpumalanga	Limpopo	North West	Northern Cape	Eastern Cape	Free State
Operational totalisator outlets	178	59	114	14	20	15	2	25	17
Operational bookmaker outlets	93	166	78	34	40	12	2	27	5
Operational bookmakers	93	40	48	11	8	5	2	14	6

Graph 22: Number of licensed operational bookmakers, totalisator and bookmaker outlets FY16, as at 31 March 2016

4.2 BETTING ON HORSE RACING AND SPORT SECTOR GAMBLING STATISTICS

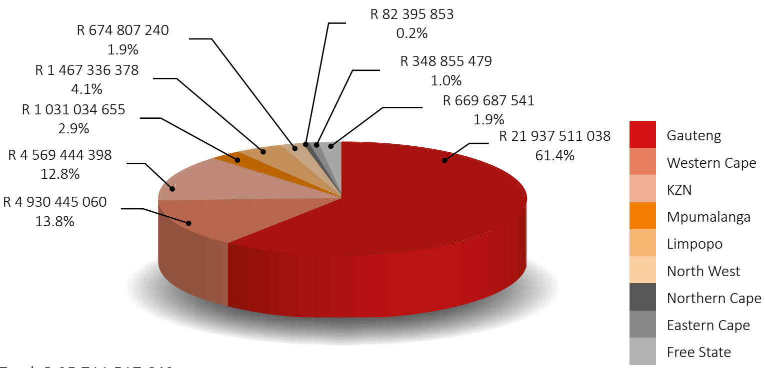
4.2.1 It is important to note that as far as Eastern Cape statistics are concerned, figures for betting on horse racing are inclusive of betting on sport. Unfortunately no splits are available, and therefore, these values and percentage should be read with due caution.

4.2.2 Turnover (Rand value of money wagered, minus monies staked on winning bets which were subsequently struck and returned = TO in the fixed odds / bookmaking environment) per province, FY16, Quarters 1, 2, 3 & 4

i The total Rand value of money wagered in the betting on horse racing and sport sector during FY16, Quarters 1, 2, 3 & 4 was R 35 711 517 643. This amount represents 10.0% of all turnover (money wagered) relevant to all gambling modes, by comparison to money wagered at licensed casinos, LPM and bingo outlets.

ii As at 31 March 2016, Gauteng accounted for the highest amounts of money wagered in the betting on horse racing and sport industry (61.4%) compared to other provinces. Monies wagered in the KwaZulu-Natal betting on horse racing and sport sector (12.8%) and also in the Western Cape (13.8%) were considerably less than in Gauteng, as reflected in Graph 23 below.

Turnover betting on horse racing and sport per province, FY16, Quarters 1, 2, 3 & 4



Total: R 35 711 517 643

Graph 23: Turnover betting on horse racing and sport per province, FY16, Quarters 1, 2, 3 & 4

4.2.3 Gross gambling revenue generated in the betting on horse racing and sport sector per province in FY16, Quarters 1, 2, 3 & 4

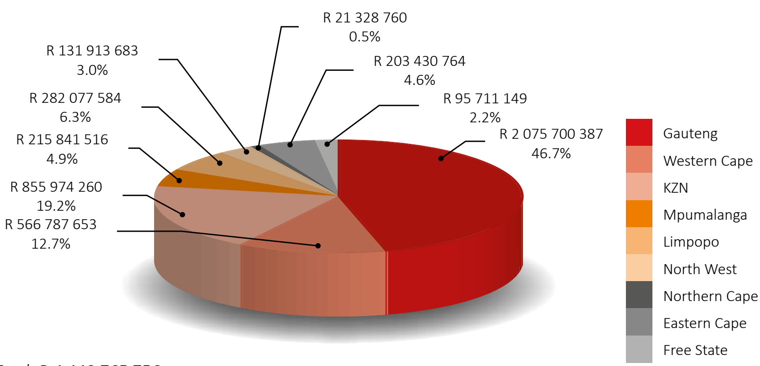
i The total Rand value of GGR generated in the betting on horse racing and sport sector during FY16, Quarters 1, 2, 3 & 4 was R 4 448 765 756. This amount represents 17.1% of the total amount of GGR compared to the other legalised gambling sectors (casino, LPMs and bingo sectors).

ii As at 31 March 2016, Gauteng accounted for the highest number of licensed operational totalisator outlets and bookmakers compared to other provinces therefore resulting in the highest amount of GGR being generated in this province (46.7%). However, Western Cape accounted for the highest number of operational bookmaker outlets (166, 36.3%). GGR generated in the KwaZulu-Natal betting on horse racing and sport sector represents 19.2% and Western Cape 12.7% out of the total, as reflected in Graph 24 below.

iii GGR generated in the betting industry increased by 22.2% from R 2 834 103 394 in FY14 to R 3 462 994 717 in FY15, and by 28.5% to R4 448 765 756 in FY16.

iv A consistantly progressive increase in GGR was generated by bookmakers offering sports betting (Graph 25 below). In this regard, GGR generated by bookmakers offering betting on sport increased by 36.0% from FY13 to FY14, by 59.9% to FY15, and by 50.9% to FY16. By comparison a decrease of 32.3% from FY13 to FY14 was recorded, an increase of 38.9% to FY15, Quarter 4, and an increase by 61.1% in GGR

GGR betting on horse racing and sport per province, FY16, Quarters 1, 2, 3 & 4

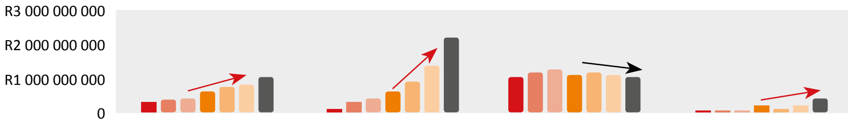


Total: R 4 448 765 756

Graph 24: GGR betting on horse racing and sport per province, FY16, Quarters 1, 2, 3 & 4

generated to FY16 by totalisators offering sports betting. Betting on horse racing offered by bookmakers increased by 8.4% from FY13 to FY14, by 10.4% to FY15, and by 28.9% to FY16. Betting on horse racing offered by totalisators increased by only 2.2% from FY13 to FY14, however decreased by 2.2% to FY15, and decreased by 5.9% to FY16. In monetary value, bookmakers offering betting on sport also generated the highest amounts of GGR from FY15 to FY16.

Trend in GGR, betting on horse racing and sport, FY10 – FY16



	Bookmakers, Horse racing	Bookmakers, Sports betting	Totalizators, Horse racing	Totalizators, Sports betting
FY10	R 377 957 987	R 165 802 602	R 1 058 082 653	R 31 259 332
FY11	R 419 579 088	R 295 931 592	R 1 167 008 013	R 42 418 390
FY12	R 477 583 160	R 433 650 582	R 1 197 266 316	R 44 078 515
FY13	R 663 367 356	R 657 721 132	R 1 087 051 664	R 161 294 882
FY14	R 718 915 378	R 894 571 335	R 1 111 365 062	R 109 251 620
FY15	R 793 930 124	R 1 430 026 112	R 1 087 285 775	R 151 752 708
FY16	R 1 023 035 305	R 2 157 995 813	R 1 023 264 197	R 244 470 444

Graph 25: Trend in GGR, betting on horse racing and sport, FY10 – FY16

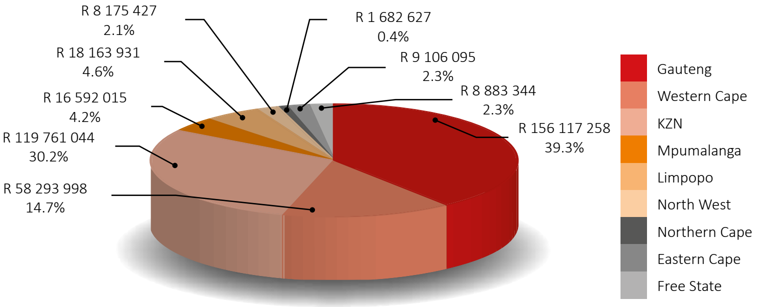
4.2.4 Taxes / levies collected by PLAs from the betting on horse racing and sport sector per province in FY16, Quarters 1, 2, 3 & 4

i The total Rand value of taxes/levies collected by PLAs from the betting on horse racing and sport sector during FY16 (Quarters 1, 2, 3 & 4) was R 396 775 739. This amount represents 14.3% of the total amount of taxes/levies collected from all gambling modes (inclusive of casinos, LPMs and bingo). The collection of taxes/levies increased by 12.4% from R 293 598 897 in FY13 to R 330 031 378 in FY14, 3.9% to R 342 928 734 in FY15, and by 15.7% to R 396 775 739 in FY16.

ii As at 31 March 2016, Gauteng accounted for the highest number of licensed operational totalisator outlets and bookmakers compared to other provinces therefore resulting in the highest amount of taxes collected in this province (39.3%), followed by KwaZulu-Natal (30.2%) and Western Cape (14.7%) as reflected in Graph 26 below.

iii The collection of taxes/levies collected from bookmakers offering sports betting increased by 37.3% from FY13 to FY14, 59.6% to FY15 and by 45.4% to FY16, compared to a decrease of 18.3% from FY13 to FY14, increase of 18.9% to FY15 and by 12.7% to FY16 from totalisators offering sports betting. In comparison, the collection of taxes/levies from betting on horse

Taxes/levies collected relevant to betting on horse racing and sport per province, FY16, Quarters 1, 2, 3 & 4

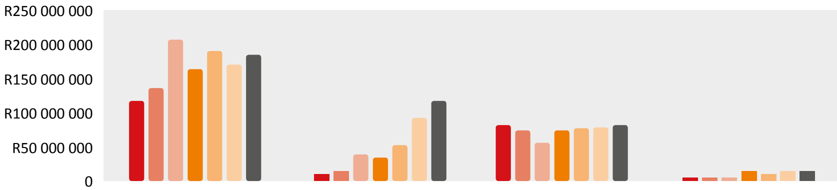


Total: R 396 775 739

Graph 26: Taxes/levies collected relevant to betting on horse racing and sport per province, FY16, Quarters 1, 2, 3 & 4

racing offered by bookmakers increased by 15.5% from FY13 to FY14, decreased with 10.4% to FY15, however, increased by 8.4% to FY16. Taxes/levies collected from betting on horse racing offered by totalisators increased by only 2.0% from FY13 to FY14, by 0.8% to FY15 and by 1.7% to FY16. Dring FY15 and FY16, bookmakers offering sports betting generated the highest GGR, however in monetary value, the highest amounts of taxes/levies were collected from bookmakers offering betting on horse racing. Refer to Graph 27 below.

Trend in taxes/levies collected relevant to betting on horse racing and sport, FY10 – FY16



	Bookmakers, Horse racing	Bookmakers, Sports betting	Totalizators, Horse racing	Totalizators, Sports betting
FY10	R 118 841 545	R 7 221 350	R 78 488 632	R 2 811 626
FY11	R 134 575 958	R 12 953 552	R 75 922 407	R 2 923 298
FY12	R 209 605 256	R 41 900 245	R 55 833 557	R 2 803 829
FY13	R 165 681 993	R 36 730 060	R 75 524 452	R 13 654 952
FY14	R 191 426 209	R 50 436 312	R 77 014 901	R 11 153 955
FY15	R 171 539 696	R 80 477 317	R 77 654 988	R 13 256 731
FY16	R 185 853 671	R 116 983 455	R 78 996 242	R 14 942 372

Graph 27: Trend in taxes/levies collected relevant to betting on horse racing and sport, FY10 – FY16

CHAPTER 5
LIMITED PAYOUT MACHINE SECTOR

5.1 MARKET CONDUCT

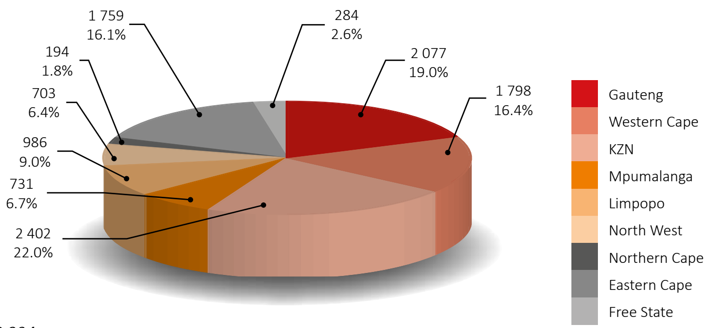
5.1.1 The main role players in the LPM sector can be defined in three specific categories, namely route operators, site operators and the National Central Electronic Monitoring System (NCEMS). Route operators are companies that are licensed to own, manage and operate LPMs throughout the country. Site operators are privately-owned hotels, pubs or eating establishments, totalisator or bookmaker outlets which may be situated throughout the country. NCEMS is a centralised LPM monitoring and evaluation system operating on a long-term contract basis by Zonke Monitoring Systems, which is located in Johannesburg.

5.1.2 The highest number of operational site operators in FY16 (Quarter 4) are situated in KwaZulu-Natal being a total of 487 (23.5%), followed by 426 (20.6%) in Gauteng and 393 (19.0%) in Western Cape.

5.1.3 KwaZulu-Natal has the highest number of licensed installed or active LPMs as at FY16 (Quarter 4) being 2 402 (22.0%), followed by 2 077 (19.0%) in Gauteng, whilst the Western Cape accounted for 1 798 (16.4%) as reflected in Graph 28 below.

5.1.4 The number of licensed installed LPMs increased by 10.7% from 9 288 in FY14, Quarter 4 (as at 31 March 2014) to 10 279 in FY15, Quarter 4 (as at 31 March 2015) as a result of an increase in the number of active LPMs in all provinces, except North West. An increase of 6.4% in the number of active LPMs was recorded from FY15 to FY16 (10 934, Quarter 4) mainly as a result of increases noted in all provinces, except Gauteng and Limpopo.

Number of installed LPMs per province, FY16, as at 31 March 2016



Total: 10 934

Graph 28: Number of installed LPMs per province, FY16, as at 31 March 2016

5.2 LPM GAMBLING STATISTICS

5.2.1 Turnover (Rand value of money wagered) in the LPM sector per province in FY16, Quarters 1, 2, 3 & 4

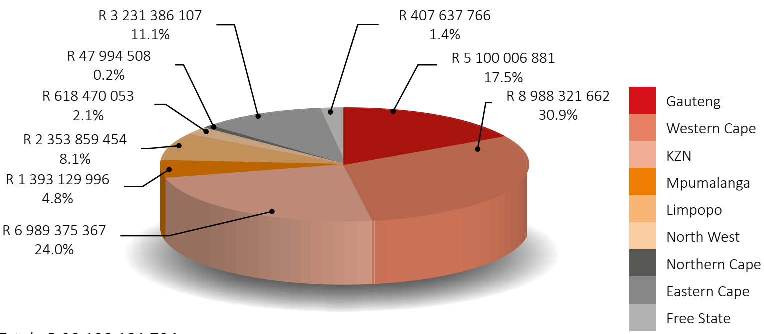
i The total Rand value of money wagered in the LPM sector during FY16, Quarters 1, 2, 3 & 4 was R 29 130 181 794. This amount represents 8.1% of all turnover (money wagered) represented by all gambling modes, in comparison to money wagered at licensed casinos, racing & betting and bingo outlets.

ii Althoug KwaZulu-Natal accounted for the highest number of licensed installed (active) LPMs (2 402) and operational site operators (487) in FY16 (Quarter 4), the highest amounts of money wagered was in Western Cape (30.9%). This is followed by money wagered at LPM outlets in KwaZulu-Natal (24.0%) and Gauteng (17.5%) as reflected in Graph 29 below.

5.2.2 Gross gambling revenue generated in the LPM sector per province in FY16, Quarters 1, 2, 3 & 4

i The total Rand value of GGR generated in the LPM sector during FY16, Quarters 1, 2, 3 & 4 was R 2 363 501 788. This amount represents 9.1% of the total amount of GGR generated by all gambling modes and in comparison to GGR generated by the casino, racing & betting and bingo sectors. GGR in the LPM sector increased by 19.6% from R1 738 648 662 in FY14 to R 2 079 338 389 in FY15, and by 13.7% from FY15 to FY16 (R 2 363 501 788). This is mainly as a result of increases in the number of active LPMs in all provinces, except Gauteng and North West.

Turnover LPMs per province, FY16, Quarters 1, 2, 3 & 4

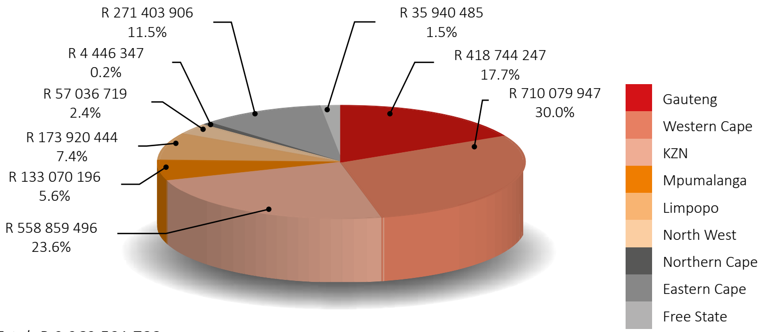


Total: R 29 130 181 794

Graph 29: Turnover LPMs per province, FY16, Quarters 1, 2, 3 & 4

ii KwaZulu-Natal has the highest number of licensed operational site operators (487, 23.5%) and installed LPMs (2 402, 22.0%) compared to the other provinces, however, Western Cape accounted for the highest amount of GGR generated in the LPM sector being 30.0% of the total as in FY16. This is followed by GGR generated by LPMs in KwaZulu-Natal representing 23.6% and 17.7% in Gauteng as reflected in Graph 30 below.

GGR LPMs per province, FY16, Quarters 1, 2, 3 & 4



Total: R 2 363 501 788

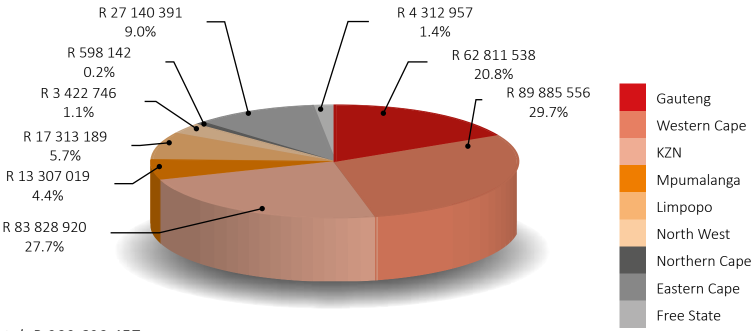
Graph 30: GGR LPMs per province, FY16, Quarters 1, 2, 3 & 4

5.2.3 Taxes/levies collected by PLAs from the LPM sector per province in FY16, Quarters 1, 2, 3 & 4

i The total Rand value of taxes/levies collected by PLAs from the LPM sector during FY16, Quarters 1, 2, 3 & 4 was R 302 620 457. This amount represents 10.9% of the total amount of taxes/levies collected by PLAs from all gambling industries inclusive of the casino, racing & betting and bingo sectors. The collection of taxes/levies increased by 22.0% from R 214 492 336 in FY14 to R 261 678 252 in FY15, and by 15.7% to R 302 620 457 from FY15 to FY16.

ii KwaZulu-Natal has the highest number of licensed site operators (487, 23.5%) by comparison with other provinces, however, Western Cape accounts for the highest amount of taxes/levies collected by all PLAs from the LPM sector at 29.7%. This is followed by taxes/levies collected from the LPM sector in KwaZulu-Natal at 27.7% and 20.8% in Gauteng as reflected in Graph 31 below.

Taxes / levies LPMs per province, FY16, Quarters 1, 2, 3 & 4



Total: R 302 620 457

Graph 31: Taxes / levies LPMs per province, FY16, Quarters 1, 2, 3 & 4

CHAPTER 6
BINGO SECTOR

6.1 MARKET CONDUCT

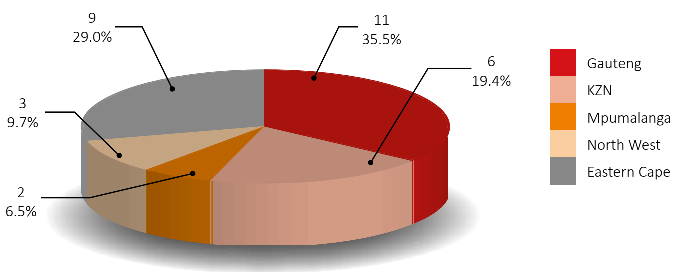
6.1.1 Of the nine provinces in South Africa, bingo has been rolled out in Gauteng, Mpumalanga, North West, Eastern Cape and Kwazulu-Natal. A total number of 31 (out of 33 licensed) bingo halls were operational as at 31 March 2016 of which 11 were operational in Gauteng, 9 in Eastern Cape, 6 in KwaZulu-Natal, 3 in North West and 2 in Mpumalanga, as reflected in Graph 32 below.

6.1.2 Gauteng accounted for the highest number of licensed operational bingo positions or seats totaling 2 940 (48.7%) out of a national figure of 6 032 licensed operational positions in FY16 (Quarter 4), compared to Eastern Cape (1 489, 24.7%), KwaZulu-Natal (854, 14.2%), Mpumalanga (329, 5.5%) and North West (420, 7.0%).

6.1.3 Overall, more electronic bingo terminal bingo positions or seats (3 646) were operational than traditional bingo positions or seat (2 386) as at 31 March 2016. Compared to FY13, Quarter 4 (3 338), an increase of 36.5% in the number of operational bingo seats was reflected in FY14, Quarter 4 (4 557), an increase of 17.8% to FY15, Quarter 4 (5 369), and an increase of 12.3% to FY16 (Quarter 4; 6 032). The highest increase in the number of operational bingo positions was recorded in Eastern Cape- an increase of 62.7% from FY14 to FY15 (1 004) and of 48.3% to FY16 (1 489), Quarter 4. A total number of 212 operational bingo positions were also added in KwaZulu-Natal during FY16 reflecting an increase of 33.0% from FY15 to FY16.

6.1.4 It is important to note that as at 31 March 2016, more electronic bingo terminals than traditional bingo seats were operational in Gauteng, Mpumalanga, North West and Eastern Cape. By contrast, no electronic bingo terminals were operational in KwaZulu-Natal.

Number of operational bingo outlets per province, FY16, as at 31 March 2016



Total: 31

Graph 32: Number of operational bingo outlets per province, FY16, as at 31 March 2016

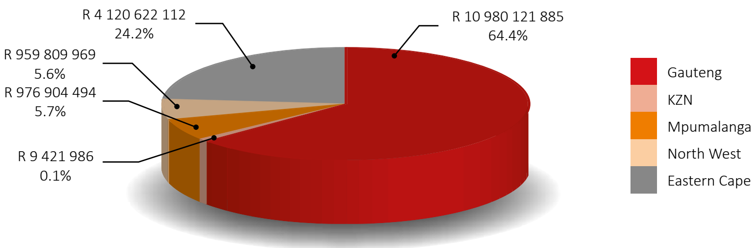
6.2 BINGO GAMBLING STATISTICS

6.2.1 Turnover (Rand value of money wagered) in the bingo sector per province in FY16, Quarters 1, 2, 3 & 4

i The total Rand value of money wagered in the bingo sector during FY16, Quarters 1, 2, 3 & 4 was R 17 046 880 446. This amount represents 4.8% of all turnover (money wagered) representiative of all gambling modes, as compared to money wagered at licensed casinos, racing & betting and limited payout machine outlets.

ii Bingo is offered for play in five provinces namely Gauteng, KwaZulu-Natal, Mpumalanga, North West and Eastern Cape. The highest amount of money wagered in FY16, Quarters 1, 2, 3 & 4, was recorded in Gauteng being 64.4%, compared to Mpumalanga at 5.7%, North West at 5.6%, Eastern Cape at 24.2% and KwaZulu-Natal at 0.1% as reflected in Graph 33 below.

Turnover bingo per province FY16, Quarters 1, 2, 3 & 4



Total: R 17 046 880 446

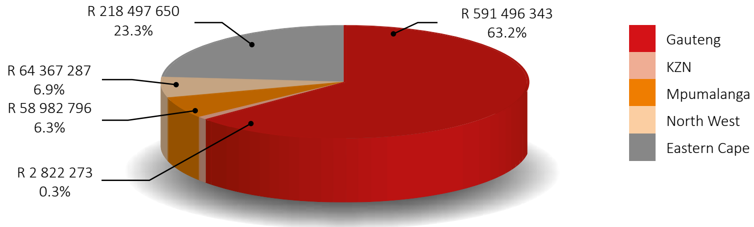
Graph 33: Turnover bingo per province FY16, Quarters 1, 2, 3 & 4

6.2.2 Gross gambling revenue generated in the bingo sector per province in FY16, Quarters 1, 2, 3 & 4

i The total Rand value of gross gambling revenue generated by the bingo sector during FY16, Quarters 1, 2, 3 & 4, was R 936 166 348. This amount represents 3.6% of the total amount of GGR generated by all licensed gambling modes. GGR increased by 67.7% from R 436 770 125 in FY13 to R 732 321 861 in FY14, mainly as a result of the roll-out of bingo in North West and Eastern Cape provinces during FY14. An increase by 52.5% was recorded in the generation of GGR from FY14 to FY15 (R1 116 673 081) mainly as a result of the roll-out of bingo in KwaZulu-Natal. By comparison, a decrease of 16.1% in GGR generated in the bingo industry was recorded from FY15 to FY16 (R 936 166 348). This is mainly as a result of less GGR generated in Gauteng during FY16.

ii Gauteng accounted for the highest number of licensed operational bingo positions (2 940), resulting in the highest amount of GGR generated in FY16, Quarters 1, 2, 3 & 4, at 63.2%, compared to Mpumalanga at 6.3%, North West at 6.9%, Eastern Cape at 23.3% and KwaZulu-Natal at 0.3%, as reflected in Graph 34 below.

GGR bingo per province, FY16, Quarters 1, 2, 3 & 4



Total: R 936 166 348

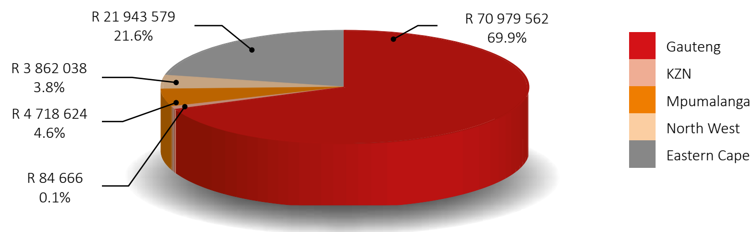
Graph 34: GGR bingo per province, FY16, Quarters 1, 2, 3 & 4

6.2.3 Taxes / levies collected by PLAs from the bingo sector per province in FY16, Quarters 1, 2, 3 & 4

i The total Rand value of taxes/levies collected from the bingo sector by PLAs during FY16, Quarters 1, 2, 3 & 4 was R 101 588 469. This amount represents 3.7% of all taxes/levies collected from all gambling modes. The collection of taxes/levies increased by 17.7% from R 44 832 111 in FY13 to R 52 753 031 in FY14, by 53.3% to FY15 (R 80 861 720) and by 25.6% to FY16 (R 101 588 469).

ii Gauteng accounted for the highest number of licensed operational bingo outlets and positions, resulting in the highest amount of taxes/levies collected in FY16, Quarters 1, 2, 3 & 4, namely 69.9% compared to Mpumalanga at 4.6%, North West at 3.8%, Eastern Cape at 21.6% and KwaZulu-Natal at 0.1% as reflected in Graph 35 below.

Taxes/ levies bingo per province, FY16, Quarters 1, 2, 3 & 4



Total: R 101 588 469

Graph 35: Taxes/ levies bingo per province, FY16, Quarters 1, 2, 3 & 4

CHAPTER 7
DIRECT EMPLOYMENT AND BROAD-BASED BLACK ECONOMIC EMPOWERMENT CONTRIBUTOR LEVELS (B-BBEE)

7.1 EMPLOYMENT (DIRECT)

7.1.1 A total number of 23 081 people (direct employment) were employed in the gambling industry as at 31 March 2016. In general, the casino sector, and Gauteng province, followed by KwaZulu-Natal, Western Cape and the Eastern Cape account for the highest numbers in terms of direct employment in the gambling industry

Table 2: Direct employment per province and mode, FY16

DIRECT EMPLOYMENT PER PROVINCE AND MODE, FY16										
GAMBLING MODE	PROVINCE									TOTAL
	Gauteng	Western Cape	KwaZulu-Natal	Mpumalanga	Limpopo	North West	Northern Cape	Eastern Cape	Free State	
Casinos	5 366	1 862	2 643	630	728	786	305	1 784	545	14 649
Totalisators	44	20	Combined with bookmaker figure	64	84	69	13	83	73	450
Bookmakers	62	179	1 6751	566	887	337	41	308	101	4 156
LPMs	237	95	101	112	715	252	9	869	14	2 404
Bingo	364	0	244	88	0	107	0	619	0	1 422
Total	**6 073**	**2 156**	**4 663**	**1 460**	**2 414**	**1 551**	**368**	**3 663**	**733**	**23 081**

7.2 TRANSFORMATION [BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) LEVELS]

7.2.1 Based on the information submitted by PLAs, the average B-BBEE status or contributor level of the South African gambling industry as at 31 March 2016 per gambling mode and operator, was as follows:

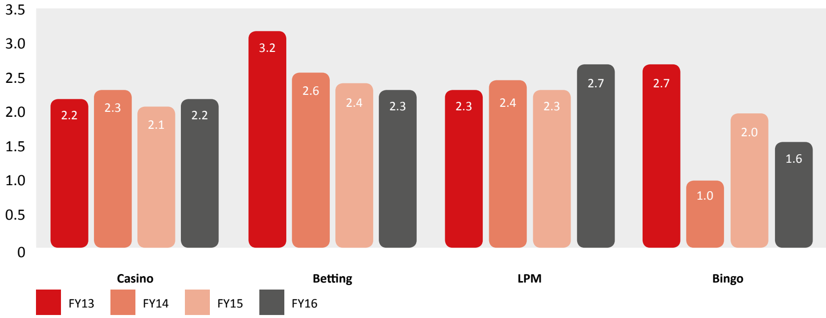
7.2.1.1 B-BBEE level for casino operators: 2.2

7.2.1.2 Average B-BBEE level for totalisators: Level 2.3

7.2.1.3 Average B-BBEE level for LPM operators: Level 2.7

7.2.1.4 Average B-BBEE level for bingo operators: Level 1.6 (currently only operational in Gauteng, Mpumalanga, North West, Eastern Cape and KwaZulu-Natal).

B-BBEE levels per gambling mode FY13-FY16



Graph 36: B-BBEE levels per gambling mode FY13-FY16

CHAPTER 8
KEY TRENDS

8.1 Casino sector

i The casino sector continues to dominate other gambling modes or sectors in terms of monies wagered, GGR generated and taxes/levies collected;

ii A slight increase in operational gambling positions in casinos (by 4.7% from FY14 to FY15 and by 0.8% from FY15 to FY16) has been recorded, mainly as a result of increases in KwaZulu-Natal, Limpopo, Northern Cape, Eastern Cape and Free State from FY15 to FY16; and

iii Substantial and consistent growth in the casino industry is reflected in terms of GGR generated. GGR increased by 0.6% from FY13 to FY14, by 4.5% from FY14 to FY15, and by 5.8% to FY16.

8.2 Betting on horse racing and sport sector

i As at FY16 (Quarter 4) Gauteng accounted for the highest number of licensed operational totalisator outlets and bookmakers compared to other provinces, therefore resulting in the highest amount of GGR being generated in the betting industry in this province (46.7%), followed by KwaZulu-Natal (19.2%) and the Western Cape (12.7%). Western Cape accounted for the highest number of operational bookmaker outlets (166);

ii From FY14 to FY16 betting on sports betting offered by bookmakers has become the mode generating the highest GGR in the betting on horse racing and sport industry and probably a result of the Rugby World Cup offered during FY16, Quarter 2. It bears mention that much less taxes/levies are collected from bookmakers offering sports betting compared to other modes in this industry;

iii Noticeable increases in GGR generated have been recorded i.e. an increase of 9.1% from FY13 to FY14, 22.2% from FY14 to FY15, and 28.5% from FY15 to FY16. This is mainly as a result of increases in the generation of GGR by bookmakers offering betting on sport, and

iv The biggest increase in the collection of taxes from FY14 to FY15 (by 59.6%) and FY15 to FY16 (by 45.4%) was from bookmakers offering betting on sport. However, in monetary value, the highest amounts of taxes/levies were collected from bookmakers offering betting on horse racing as at 31 March 2016 (FY16).

8.3 LPM sector

i The number of licensed, installed LPMs increased by 10.7% from 9 288 in FY14 to 10 279 in FY15, and by 6.4% to 10 934 from FY15 to FY16 (Quarter 4) as a result of the increase of active LPMs in all provinces except Gauteng and Limpopo;

ii GGR generated in the LPM sector represents 9.1% of the total amount of GGR generated by all licensed gambling modes in FY16. Significant increases in GGR generated have been recorded in the LPM industry- an increase of 17.8% from FY13 to FY14, by 19.6% from FY14 to FY15, and by 13.7% from FY15 to FY16; and

iii Based on the highest amount of GGR generated during FY16, Quarter 3, it seems that more people visit LPMs, or, punters have more time to gamble on LPMs during the festive season.

8.4 Bingo sector

i GGR generated in the bingo sector represents 3.6% of the total amount of GGR generated by all licensed gambling modes during FY16. Although extremely high increases in GGR were recorded since FY13 to FY15 (i.e. increases in GGR generated by 67.7% from FY13 to FY14, and by 52.5% from FY14 to FY15), a decrease of 16.1% was noted from FY15 to FY16;

ii High increases in GGR generated from FY13 to FY15 were mainly as a result of an 36.5% increase in the number of operational bingo seats from FY13 to FY14 and by 17.8% from FY14 to FY15, and

iii Gauteng accounted for the highest number of licensed operational bingo positions or seats totaling 2 940 (48.7%) out of a national figure of 6 032 at the end of FY16 (Quarter 4).

8.5 Overall, GGR increased by 4.3% from R20,9 billion in FY13 to R21,8 billion in FY14, by 8.8% to R23,9 billion in FY15 and by 9.9% to R26.0 billion. A total amount of R25 985 119 587 in GGR was generated during FY16. During FY16 casinos accounted for the highest GGR generated, being 70.2% as compared to other gambling modes. Compared to all other provinces, Gauteng at a 40.4% share, accounted for the highest amount of GGR generated in the gambling industry (all modes).

8.6 In general, the collection of taxes/levies increased by 6.6% from R2,1 billion in FY13 to R2,2 billion in FY14, by 10.7% to R2,5 billion in FY15 and by 11.9% to R2,8 billion in FY16. A total amount of R2 770 743 912 in taxes/levies was collected during FY16. During FY16, at 71.1%, casinos contributed the highest amount of taxes/levies paid by comparison with other gambling modes. At 36.1% Gauteng accounts for the highest amount of taxes/levies paid compared to all other provinces.

8.7 Real growth in GGR per gambling mode over the last three financial years reveals that despite increases in the number of operational gambling positions in the casino, LPM and bingo sectors, there was a slowdown in the real growth in casino GGR in the financial years FY14 and FY15. Bingo GGR continued to register slow real growth in the FY16 whilst there was also a slowdown in the real growth in LPM GGR over the same period. Betting GGR, however, has shown an increase in real growth in the FY16 financial period of 23%.

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