

National Gambling Board



Annual Report
2007



NGB

Vision

"To be a world-class organisation, providing a national regulatory framework in the gambling industry."

Mission

Ensuring uniformity, harmonisation and integrity of the gambling industry in South Africa, by enforcing compliance with the National Gambling Act and ensuring compliance with other relevant legislation, viz, Financial Intelligence Centre Act; Public Finance Management Act and provincial gambling Acts.

We do this through:

- a) the creation and establishment of uniform norms and standards;
- b) the creation and establishment of uniform (harmonised) rules and regulations;
- c) conducting oversight evaluations of the performance of provincial licensing authorities;
- d) evaluating the issuing of national licenses by provincial licensing authorities;
- e) evaluating the compliance monitoring of licensees by provincial licensing authorities;
- f) assisting provincial licensing authorities to ensure that unlicensed gambling activities are detected;
- g) monitoring socio-economic patterns of gambling activity in the Republic; and
- h) conducting research on addictive/compulsive gambling and the socio-economic impact of gambling.



NGB

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Chairman's Report

The year 2007 began with the Board hosting the 4th bi-ennial conference that created a platform to interact with stakeholders on critical discussions on gambling as a whole. The introspection on the gambling industry in South Africa focused mainly on how the industry is performing in relation to government's perspective and economic model it has outlined. The conference also considered current challenges that are facing the industry and how we can effectively deal with each. The conference promoted interactive discussions on internationally acclaimed proposed modes of gambling activities that should be considered in the South African gambling industry.

Regulators affirmed through various programmes and activities in place the maintenance of the economic model entrenched by government, the protection of punters and those who become vulnerable through gambling. This ensures a well regulated and crime-free industry collecting the necessary taxes due to the fiscus.

The year included challenges like drafting the interactive gambling legislation as entrenched in the legislation on interactive gambling. This will hopefully be finalised in the next financial year and create challenges to both the regulators and operators in ensuring that it is aligned to international best practises.

A well regulated gambling industry can not ignore its vulnerable citizens as a result of gambling. The National Responsible Gambling Programme (NGRP) has ensured that treatment, training, counselling and promotion of responsible gambling is entrenched in the industry. The schools education programme in Western Cape and Gauteng has been positively received by communities and has been proved to be profoundly successful in educating our youth on the dangers of excessive gambling and the understanding of the gambling concept. This project will further be rolled out to other provinces for the benefit of all citizens.

The planned responsible gambling awareness campaign is an important project that shall work towards ensuring that the obligation of the Board, to provide education and awareness to its citizens of the dangers of excessive gambling, whether compulsive or addictive, is achieved.

The roll out of Limited Payout Machines (LPM's) in provinces proceeded at a relatively slow rate. This mode of gambling opens up opportunities for small, medium and micro enterprises (SMME'S) to become involved in the operational side of gambling, whilst strict regulatory control is maintained through the central electronic monitoring system, to which all these machines are connected.

The growth of GRAF (Gambling Regulators Africa Forum) and the training of GRAF member states, as part of growth and development amongst member states, signified a great achievement towards a well regulated gambling continent. Our role and participation in GRAF, also in serving on its Secretariat, remains one of the most fulfilling mandates that we are performing.

The BBBEE (Broad Based Black Economic Empowerment) imperative is a critical factor for consideration by the industry. With the promulgation of the gazetted Codes of Good Practice in February 2007, there is a need for regulators to ensure that all operators within the gambling fraternity are not only compliant with their license conditions, but that they meet the minimum requirements of the Codes. We shall remain actively involved in this area.

The interaction with the National Gambling Policy Council (NGPC) was of great value in giving policy direction on issues that the regulators brought forward. This process ensured co-operative governance, as entrenched in the Constitution of South Africa. Development and review of policy direction on both new and current forms of gambling will be a focus during the next financial year.

The report on review on the tax structure for fixed odds sport betting was forwarded to the NGPC for a decision. The Board has commenced with an information gathering exercise on person to person betting exchanges, a phenomenon in gambling that is currently not accommodated in existing legislation. In an effort to educate the public, the National Gambling Board, with the assistance of Phumelela Gaming and Leisure, has published a warning on Tellytrack and Computaform (the racing publication) informing public that in terms of the exchange control regulations it is still illegal to gamble offshore.

The Board is warning the public on a continuous basis on the illegality of interactive gambling activities in South Africa. To this end, a number of agencies, including the Advertising Standards Authority (ASA) that deals with advertising standards in South Africa, Financial Intelligence Centre (FIC), Reserve Bank,

Banking Council, Online Publishers Association, Anti-Fraud Unit (AFU) and others have been contacted to ensure that they have relevant measures in place to curb such illegal activities. Of significance is the advertising of interactive gambling activities and party poker, which is currently outlawed.

The Board is committed to ensure a well regulated gambling industry by establishing a consultative process that is fair, transparent and responsible and in so doing fulfil its accountability mandate as entrenched by legislation.

CL Fisser
Chairperson





Chief Executive Officer's Report

The vision of the National Gambling Board is to be a world-class organisation, providing a national regulatory framework for the gambling industry in South Africa. The implementation of the National Gambling Act, 2004 (Act No 7 of 2004) ("the Act") ensures that the National Gambling Board ("Board") fulfilled its mandate of ensuring uniformity, harmonisation and integrity of the gambling industry. The execution of the function of the Board was achieved with challenges outlined in the report below. Organisational resource frameworks were strengthened to achieve the set vision, as will be reported hereunder.

The approved MTEF budget allocation from **the dti** has been on a declining **xxxxx** whilst the expenditure has been escalating due to additional scope of responsibilities emanating from the implementation of the Act, the matter has raised a going concern issue and the Board's ability to deliver on its mandate as required by the Act. It is asserted that should there be a need for additional funds, the department will assist depending on the availability of funds as contained in clause 3.2 of the shareholder's compact between the board and **the dti**. The perceived deficit as seen at fair value from the statement of financial performance has raised a concern about the Board's continued funding by **the dti**. However, the Board acknowledges that this matter remains a valid fact that all incurred deficits were pre-approved in terms of approved application of retention of funds (roll-over and above the budget for the year) unutilised from the previous financial year.

Implementation of the Performance Management System

The previous financial year ended 31 March 2006 marked the implementation of the performance management system. The implementation of the system is work in progress and in the year under review we experienced some administrative challenges regarding the continued implementation of the

system. These included amongst others, lack of performance agreements (contracts) and lack of performance weightings. We have identified these administrative impediments, and others, and implemented some solutions in order to continue our achievements as reported.

In the light of the above, we have successfully enhanced the performance management system by:

- introducing and implementing performance agreements (contracts) and weighting criteria for each employee's Key Performance Area;
- revised the rating scales and brought in a new mathematical rating formula to ensure objective assessment of performance; and
- where applicable revised the performance management policy to ensure that it remains relevant to the changing circumstances within the organisation.

As mentioned earlier, the implementation of the performance management system is work in progress. Lessons learnt in this current financial year will be carried forward to assist us in further implementing and maintaining the system in the next financial year.

Human Resources Policies and Procedures

The Human Resources Committee, which is chaired by the Deputy Chairperson (Thebi Moja), approved critical policies for the organisation. The approved policies included amongst others Employee Retention, HIV/AIDS, Termination of Service and Sexual Harassment policies. These policies have been approved in accordance with Good Corporate Governance, best practice and in line with legislative requirements. In addition to the above newly developed policies the HR Committee has approved amendments in existing policies including the Disciplinary and Subsistence and Travel policy.

Financial Policies

The Board is operating under prudent financial management principles which are supported by efficient internal controls and systems.

During the year under review several financial policies were developed and are still in the process of being considered for approval by different governance structures. These policies include Insurance, Asset Management, Pay Roll, Cash and Bank and Petty Cash policies.

The budget of the Board is prepared in terms of Medium Term Expenditure Framework under the guidance of National Treasury and the Department of Trade and Industry. Allocation of budgetary resources is prioritised according to the organisation's key strategic thrusts as outlined in the business plan.

The board is also revising its policies to ensure that the internally generated intangible assets are evaluated and impaired accordingly, as well as assessments done of remaining useful lives and residual values of assets. This policy will ensure that such assets are tested while not yet available for use and impaired annually. All internally generated intangible assets will thus not be overstated and impairment charge in the statement of financial performance understated. The impairment test was performed by consultants, but was not completed by 31 March 2007. It will however be completed during the first quarter of the 2007/2008 financial year.

The Board is currently also conducting assessment of the remaining useful lives and residual values of its assets in accordance with IAS 16 paragraph 51. This process began towards the end of the financial year and will be completed in the first quarter of the 2006/2007 financial year.

The Board deemed it necessary to revise the delegations of authority policy and the audit committee charter.

Broad Based Black Economic Empowerment (BBBEE) Developments in the Gambling Industry

The BBBEE report commissioned by Professor Barney Pitso in 2003 on behalf of the National Gambling Board established that Black Economic Empowerment is an economic and political imperative in South Africa, which is also true in the

gambling industry. It is generally agreed that BBBEE stands on four pillars: equity and ownership, employment equity including training, social investment, and affirmative procurement.

A need for an industry specific BBBEE (Broad Based Black Economic Empowerment) Gambling Charter has been identified and advocated for by the National Gambling Board and other provincial gambling authorities with a view of uniformly and coherently achieving and implementing the BBBEE objectives as set out in the Broad Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003) and gazetted Codes of Good Practice. The general view is that the provisions of the universal Codes of Good Practice as developed by the Department of Trade and Industry ("the dti") will not be able to address the BBBEE specifics due to the unique circumstances of the licences in the gambling industry which are enshrined in the conditions of licenses as granted by the Provincial Licensing Authorities ("PLAs"). Another reason for a specific gambling charter is that it will be enforced and implemented by regulators who are at the coal face with the operators.

A resolution was previously taken by the National Gambling Policy Council ("Council"), as constituted in terms of the National Gambling Act, that the industry should be engaged on the issue and a decision be made whether or not there is a need for a gambling specific charter. Following the publication and gazetting of the BBBEE Codes of Good Practice ("Codes") by the dti in February 2007, a workshop for all regulatory licensing authorities, the dti and the Board was held on 22 March 2007 to consider the draft BEE Charter and scorecard and its linkage with the promulgated Codes. The workshop also considers standardising all the BBBEE requirements and establishing minimum norms and standards in the casino and horseracing industries, thresholds and timelines as presented before Council.

To achieve these objectives, the regulators have agreed to engage in an independent BBBEE Audit exercise of all the casinos in their respective provinces with a view of determining the levels of compliance against the gazetted Codes. A consolidated report shall be presented to Council for its consideration and to pave a way forward, where after, the industry shall be consulted on the report and the BBBEE gambling charter. Council will thereafter be engaged once a conceptual agreement has been reached on the issues.

Chief Executive Officer's Report

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Socio-Economic Impact of Legalised Gambling in South Africa

The findings of a follow-up study on the socio-economic impact of legalised gambling in South Africa were released to the public at the 4th Bi-ennial Gambling Conference that took place from 19 to 21 April 2006 in Cape Town.

A national quantitative survey among 3 100 respondents was conducted during October and November 2005. A research instrument similar to the 2002 questionnaire was used to allow longitudinal comparisons with regard to various aspects. The study was extended with thirteen focus groups at selected casinos, limited pay-out machine venues, horseracing and betting as well as bingo outlets countrywide amongst regular gamblers at the same time. The main aim of the study was to get a better understanding of gamblers' experiences and feelings, as well as the socio impact of gambling on their own lives.

The most important findings of the quantitative study were as follows:

- The propensity of the South African population 18 years and older to participate in legalised gambling activities preceding the survey was that, amongst others, 45,8% bought lotto tickets. Longitudinal comparisons suggested a decline in the propensity to gamble among the South African population.
- Just more than half (50,2%) of the respondents who abstained from gambling during the three months preceding the survey cited that they were not interested (42,9%) and a lack of money (20,0%).
- Personal views of respondents on gambling revealed that 55,6% found gambling acceptable. a total of 42,7% regarded gambling as an important leisure activity for South Africans. Just more than a third (37,1%) of respondents affirmed awareness of under-age gambling, mainly dice (64,7%).
- On the adequacy of gambling outlets, 32,2% indicated that there were not enough outlets. Of those who visited casinos, 40,7% did so less often. High frequency visitors (daily and once a week) remained unchanged at around 10% of patrons.
- The gambling marketplace appears to portray a far more matured character compared to the findings of the 2002 NGB study. Participating in gambling activities declined substantially compared to the frequency levels reported during the establishment phase of the industry (1997

2002). The waning of the novelty effect together with more realistic expectation on the winning of prizes may, inter alia, contribute to this behaviour.

The majority of regular gamblers tend to visit gambling venues more than once a week with the purpose of winning easy money. Generally, these gamblers are aware of the risks involved, but the majority struggle to control their spending or lack the self discipline to do so. Respondents suggested that problem gambling can be reduced by proper education and access to information on gambling, the risks involved and where to get assistance for problem gambling habits.

Research Projects

In July 2006 the board embarked on three qualitative research projects:

- 1) Perceptions of female managers and executives employed in the gambling industry (including regulators) with regards to gender equity;
- 2) Regular gamblers' perceptions with regards to responsible gambling, with specific emphasis on electronic measures to promote responsible gambling; and
- 3) Regular gamblers' perceptions with regards to bingo and their experiences regarding the electronic bingo terminals.

Research staff at the Information Management Department (IMD) at the NGB was responsible for the planning, execution and management of all phases of the research projects. Data was gathered by means of personal in-depth interviews or focus groups.

j) Perceptions of female managers and executives employed in the gambling industry (including regulators) with regards to gender equity

The main aim of this research project is to gather qualitative insight, knowledge and understanding regarding the perceptions of women managers and executives employed in the gambling industry with specific reference to gender equity, the role they play within the working environment, acknowledgement within the industry, their successes and challenges/ barriers within their working environments, as well as empowerment initiatives/programmes they are involved in. The field work has been completed and researchers are currently conducting personal in-depth interviews with each manager or executive employed at PLAs, selected casinos, all casino groups, totalisators and bookmakers, as well as route operators countrywide.

ii) Regular gamblers' perceptions with regard to responsible gambling, with specific emphasis on electronic measures

The main aim of this research project is to gather qualitative insight, knowledge and understanding of regular gamblers' perceptions regarding responsible gambling and to determine their views regarding different additional electronic informative measures as well as any other measures and ways to promote responsible gambling on electronic gaming machines. Research staff have completed data gathering by means of personal in-depth interviews with between 7 to 8 regular gamblers at selected casinos (one per province) countrywide. The report will be compiled by research staff.

iii) Regular gamblers' perceptions with regard to bingo and their experiences regarding electronic bingo terminals.

The main aim of this research project is to gather qualitative insight, knowledge and understanding of regular bingo players' perceptions regarding the impact of bingo on their lives, perceptions regarding the various methods of play, with specific focus on the electronic bingo terminals. Research staff have finished data gathering by means of conducting focus groups at all operational bingo venues. The transcribing of recordings of the focus groups was outsourced.

The findings of the three research projects will be released in the next financial year.

National Responsible Gambling Programme (NRGP)

One of the challenges faced by gambling authorities all over the world is to minimise negative effects and maximise positive effects of gambling. While gambling contributes to a country's economy through gambling taxes, investments, employment creation and Black Economic Empowerment (BEE), individuals need to be educated so that they are aware of the negative effects of gambling.

In an attempt to address problem gambling and promote responsible gambling, the Board started its campaign by spearheading the establishment of the South African Advisory Council on Responsible Gambling (SAACREG). Since 14 February 2001, SAACREG has been emphasising the

promotion of responsible gambling and in so doing, protecting the society and the economy of the Republic against negative impacts of problem gambling. This task has been undertaken with the support of SAACREG's 24 members, which is representative of all gambling industry stakeholders, namely regulators, operators, manufacturers and civil society.

The NRGP, which was a casino industry initiative to promote responsible gambling and offer treatment to individuals who had developed problems with gambling, was integrated into the objectives of SAACREG. SAACREG devised a methodology which will ensure that all gambling stakeholders have ownership of the NRGP. Through a combined effort by SAACREG and NRGP representatives, the programme was integrated with SAACREG objectives. In this regard, in 2002 SAACREG created the South African Responsible Gambling Trust (SARGT) with the primary goal to fund, manage and direct the activities and the operations of the NRGP in South Africa.

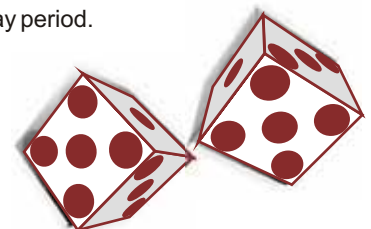
The South African Responsible Gambling Trust supervises the NRGP. There is a high degree of accountability and transparency in terms of financial management.

The NRGP is managed by the National Centre for the Study of Gambling at the University of Cape Town. The Centre adds value to the programme by virtue of its considerable experience in this field, its research capabilities, and its strategic alliances with specialist organisations.

All the NRGP's financial and operational information is made available to a wide audience in Southern Africa and abroad. Quarterly reports are submitted to regulators, government, NGOs, industry, the medical/professional community, civil society and other interested stakeholders, as well as being published on the NRGP's website (www.responsiblegambling.co.za).

The NRGP is currently the only operational comprehensive programme in the country, and a resource that integrates various components: research and monitoring, public education and awareness, training, treatment and counselling.

The quarter January - March 2007 traditionally sees a special campaign to coincide with the re opening of schools, and the development of comprehensive advertising campaigns were prepared for newspapers and radio stations ahead of the high-spending Easter holiday period.



Chief Executive Officer's Report

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The NRGP participated in the three-day Summit on Substance Abuse organised by the Central Drug Authority, where Loren Human facilitated a presentation to a 400-strong group including government ministers, social workers and professionals. This presentation drew numerous compliments about the regulator and industry's proactive approach towards problem gambling.

A total of 1 301 people received responsible gambling training during the period under review (January - March 07) and 2 832 learners - these numbers are somewhat lower than most quarters as it was the commencement to the school year.

The NRGP has moved forward with the expansion of their innovative Money Sense Programme, which seeks to provide financial and debt management education for individuals identified by their treatment professionals. Client feedback has been overwhelmingly positive and since its launch in February, the Money Sense Blog Site has recorded more than 7 500 hits, suggesting that there is a major need for such a service.

The NRGP research team continued with a very active programme, including its series of experiments with gamblers on the relationship between problem gambling and pathologies of consistency in reward valuation over time. In addition, Professors Ross, Kincaid, Spurrett and Collins undertook the organisation of an international conference on the theme 'What is Addiction?', scheduled at the University of Alabama at Birmingham on 4 - 6 May 2007.

The NRGP Counselling Line referred an average of 139 problem gamblers for treatment each month, and handled a further 180 problem gamblers per month who phoned the service in distress but did not require referral. On average, ten problem gamblers per day benefited from the NRGP counselling services, which is consistent with the pattern of previous quarters.

There has been a significant increase in the number of Family Programme referrals. With the planned introduction of our Family Programme treatment manuals, which have been designed to standardize this intervention, the NRGP expect this service to develop even further.

Requests for in-patient treatment remain constant at approximately one per month, but given growth in other areas of the services of the NRGP, this need may also rise.

Significantly, the non-problem gambling calls to the 24-hour Help Line have dropped by a further 50% over the quarter January - March 07, largely as a result of the filtering technology that the NRGP has installed, although they still account for up to 80% of all calls.

While the distribution of problem gamblers remained fairly constant across the provinces, the quarter January - March 07 has witnessed a significant increase in requests for help from the Eastern Cape, which may be related to the introduction of LPMs in that province in 2006.

The number of senior citizens seeking help doubled in the quarter January - March 07 to just over 4%. This trend will need careful monitoring and an increase in the public education programmes targeting this vulnerable group.

Casino slots represent 51% of gamblers seeking help and casino table games 25%.

Two new services have been introduced in the past quarter and have greatly augmented the NRGP's ability to provide a comprehensive treatment service. In the first of these, the NRGP has started to provide continuing-care support groups in specific centres and, in the second, the NRGP has made a debt management programme available for those problem gamblers who are in need of structured financial planning to address their debt problems. Four new counsellors have been trained in the quarter January - March 07 and started work on the counselling line.

The NRGP participated in an international survey conducted by the Gambling Helpline of New Zealand and this proved a useful means of assessing themselves against global benchmarks and comparing information about issues such as the average time per call, prank calls, the number of calls and the types of services provided. It is rewarding to note that the NRGP Counselling Line competes favourably with international standards and quality of service.

National Gambling Statistics Database

In an effort to provide comprehensive and user-friendly information about the gambling industry, the Board developed a National Gambling Statistics Database that focuses mainly on primary statistics such as turnover, gross gambling revenue (GGR) and gambling tax. PLAs are, on a quarterly basis,

requested to submit the primary statistics to the Board for analysis. Based on the primary statistics received, the Board then calculates the return to player (RTP) percentage per gambling mode.

The database comprises comparative statistics for the period 01 April 1999 to 31 March 2007. This information is vital with regard to keeping the public and stakeholders informed on financial and operational gambling data in the country.

The results for this financial year have continued to show a steady increase in gambling activities around the country. This is indicated mainly by the GGR which has increased by 18.6% as compared to the previous financial year. Although the GGR has increased overall, some provinces, for example North West, have experienced decreases of 3% in GGR while provinces such as Free State, Western Cape and Eastern Cape have experienced increases of 1%. The GGR for the rest of the provinces has remained fairly constant.

In terms of gambling taxes and levies, an increase of 21.7% was recorded when compared to the 2005/2006 financial year. Gauteng, KwaZulu-Natal and Free State showed increases of 1% while Limpopo and North West showed decreases of 1% in gambling taxes and levies.

The contribution of casinos to the national GGR has decreased from 88.0% (F2005/2006) to 86.2% (F2006/2007). The betting industry contribution to the national GGR has increased from 10.4% (F2005/2006) to 10.8% (F2006/2007) while the Limited Payout Machine (LPM) and bingo industry GGR contribution have been showing a steady increase compared to the previous financial year. The LPM GGR contribution rose by 1.1% while the bingo contribution increased by 0.3%.

National Responsible Gambling Awareness Campaign

The NGB, in partnership with the NRGP, embarked on an annual public responsible gambling awareness campaign to sensitise the public and promote responsible gambling. The Board approved the allocation of R750 000 in the financial year 2007/2008 to contribute to a National Responsible Gambling Awareness Campaign and day of launching. The project and the cost plan mainly target the Living Standard Measures (LSM) 1-7 groups (lower to middle socio-economic class) to reach those in rural, as well as urban areas within the limited budget. The national responsible gambling awareness

campaign contains advertising on the outside and inside of minibus taxis and buses, and on the inside of commuter trains for a period of three months. Commuter advertisements were prepared, presented and approved by the NGB.

Together with the NGB, the NRGP has started preparation for the launching of the event in June 2007. The primary aim of the campaign launch is to obtain media coverage of the campaign, particularly in the mainstream media.

The 4th Bi-ennial Gambling Conference

The Board's 4th Bi-ennial Conference in Cape Town from 19-21 April 2006 was a great success and attracted close on 300 hundred prominent gambling industry role-players. The number of international visitors was slightly lower than anticipated, although the African continent was well represented.

The highlight of the conference were the keynote speakers which included Mr. Chris Fisser, the Chairperson of the National Gambling Board of South Africa who gave an *Overview of Regulated Gambling in South Africa 1996 2006*, Mr. Leta Mosienyane, Chairperson of the Gambling Regulators African Forum and of the Botswana Gaming Board, who spoke on the *Growth and Development of the gambling industry on the African continent*, Prof. Bo Bernhard, the Director of Gambling Research at the University of Nevada, Las Vegas who spoke on *Problem Gambling Research*, including exciting new work in the field of problem gambling technologies and finally Mr. George Mangion from PKF, Malta who spoke on *Interactive Gambling in Malta*.

A number of other important topics were addressed during the conference. These included several items on research that have been conducted since the last conference, which includes "A Profile on Youth Gambling in South Africa", a follow up on the "Socio Economic Impact study on Gambling" and the "Interactive gambling" policy report. Several breakaway sessions were also held for the final two days of the conference and included such issues as Women in the Gambling Industry, Horseracing and Betting, Responsible Gambling, Broad Based BEE: The Way Forward and finally the LPM/Bingo.

Horseracing and Betting

The sub-committee of the Horseracing and Betting forum finalised the uniform set of operational rules for totalisator

Chief Executive Officer's Report

(continued)

operators. Whilst this process has taken some time, it must be noted that all stakeholders had to be consulted and all comments and inputs had to be considered. The draft document is currently undergoing a legal review. It is anticipated that the rules will be approved in the new financial year.

The report on the review of the tax structure on fixed odds sport betting has been accepted. This means that taxation on fixed odds sport betting will be changed to taxation on gross profits. The manner in which such a change will be introduced is currently under consideration.

A team inclusive of representatives from provincial gambling regulators was constituted to gather information on person to person betting exchanges. The team consulted local stakeholders and also engaged various entities in the United Kingdom, where these operations have been in existence since 2001. A report on the findings was presented to the Board of the National Gambling Board, who has subsequently directed that the report be presented to all provincial gambling regulators. This process is scheduled to take place in the new financial year.

During the year under review a team constituted of all provincial regulators attended a national revenue audit on the totalisator workshop. This type of workshop was the first to include all nine provinces. The workshop served to develop a platform for all provincial regulators to conduct revenue audits on their respective totalisator operators.

The Board as a supervisory body engaged the Financial Intelligence Centre to assist with training in the Betting industry. A training schedule has been developed and training in the betting industry will commence in the next financial year.

Central Electronic Monitoring System (CEMS) And Limited Payout Machines (LPMS)

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

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

In doing this the Board ensured the continuous suitability and compliance of the CEMS operator. The continuous suitability was assured through continuous suitability checks on the entity and its employees. As was previously reported, the Compliance Department of the Board and an appointed company by the name of SACS performed an Audit of Zonke Monitoring Systems (Zonke) and the Central Electronic Monitoring System (CEMS), which included an operational and a two phase IT Audit. The findings of the Audit report have since been completed and where agreed to by all parties concerned and necessary corrective measures have been taken.

During the current reporting period the CEMS operator Zonke has since upgraded its infrastructure which is housed within Internet Solutions (IS). This process only caused minor disruptions to the operation and was well received by the LPM industry at large.

The operations and change control committee which was as previously reported, established to monitor changes in the CEMS and who report to the management committee, continued to meet during the reporting period. Both these committees were established in terms of the SLC.

During the reporting period, the CEMS reported a less than 1% down time and the helpdesk reports and attendance thereto, reported technical functionality and good performance by the system itself. The Compliance Department of the Board continues to ensure the technical and operational compliance of the CEMS.

The following Provinces have rolled out LPMS: Mpumalanga since June 2003, Western Cape November 2004, Eastern Cape April 2005 and since April 2006 KwaZulu Natal.. Further to the above Limpopo and Gauteng have, by virtue of the changes to the provincial boundary, each received a few LPM sites although the latter has yet to announce when it intends introducing LPM's into the province - currently, 2100 machines in nearly 800 sites have been rolled out. Several other provinces such as Gauteng, Free State, and the North West are expected to follow.

Eradication of Illegal Gambling

The ongoing campaign against illegal gambling spearheaded by the Board continues nationally with the collaboration and assistance of provinces. Statistics in this regard can be found in this Annual report.

Financial Intelligence Centre Act

The Board, as a supervisory body, conducted thirty three (33) inspections at licensed casinos during the reporting period throughout the Republic to ensure compliance with the Financial Intelligence Centre Act, 2001 (Act No 38 of 2001) ("FICA") . During the latter half of the year the first joint inspections between the Board's Compliance Department and the FIC was undertaken. The inspections revealed that the accountable institutions visited, met the minimum requirements prescribed by the legislation; however, it was felt that more could be done to prevent money laundering. Recommendations in this regard are made to these institutions to implement. The Compliance Department, the FIC as well as other operational departments of the Board meet on a regular basis to advance ideas with regard to the issue of preventing money laundering.

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

Gambling Regulators Africa Forum (GRAF)

The 4th annual GRAF conference was held on 27 November 29 November 2006 in Port Elizabeth, South Africa.

The conference was hosted by South Africa under the chairmanship of Botswana. South Africa was unanimously appointed as the permanent secretariat in Gaborone, Botswana in December 2005. The conference attracted a number of delegates from different jurisdictions with 13 countries represented. South Africa was represented by the Board as well as nine (9) Provincial Licensing Authorities. The conference was also attended by Gaming Laboratories International, BMM Test labs South Africa, Zonke Monitoring System and the Financial Intelligence Centre.

The countries that have signed the Memorandum of Understanding are Kenya, Malawi, Tanzania, Zambia, Mozambique, Zimbabwe, South Africa, Namibia, Swaziland and Botswana. Ivory Coast, Cameroon and Angola attended as invitees but have not yet signed the Memorandum of Understanding.

The National Gambling Board provides technical and administrative functions for GRAF and tremendous progress

has been made to ensure that it achieves its objectives in the most efficient and effective manner.

Numerous topics were addressed during the conference with member states exchanging ideas and sharing information on the status of regulation and challenges that each jurisdiction faces. These include issues on cross border transportation of gambling equipment, advancement of the NEPAD vision within the gambling context, corporate governance within the regulatory environment and problem gambling.

South African National Accreditation Standards (SANAS) Gambling Laboratory Evaluation

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

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

Participation on Technical Standards

Technical compliance of all gambling equipment has always been a critical point to ensure consumer protection and integrity of such equipment, hence the Board always seeks to ensure the industry's technical compliance with the South African National Standards. This resulted in the formation of technical standard SABS 1718 to ensure such practice. The Board in conjunction with SABS has always driven this technical committee to ensure that the standards are continuously amended in line with the technological advancement and international practices. During the reporting period draft technical standards for server based gaming (SANS 1718 10) was circulated for comment, this is where the computer server is based on the premises, but excludes Wide-area jackpots and internet applications where the server is not on the premises. Progress on a revision was also done on Part 4 Wagering record-keeping systems, Part 1 Casino equipment and a pending decision on Part 8 Roulette Wheels.



Chief Executive Officer's Report

(continued)

Assistance to Provinces

The Board has assisted provinces ensuring the smooth roll out of LPM's through the committees overseeing such a roll out. The Board also held a training seminar for GRAF members and provinces to enhance their knowledge in gambling as well as share ideas with other regulators on issues of common interest and different perspectives of regulation. The Board assisted the Northern Cape Gambling Board with inputs into its legislation and structure and strategy framework that is aligned to its business strategy.

National Gambling Board's Network Infrastructure

The National Gambling Board still runs on the dti Backbone. A new HR System was installed and will soon be implemented for users to be able to use HR self help services. The HR System is called HR Focus. This system will allow users to view their leave calendar and see the number of days they have without contacting HR. The Virtual Private Network was utilised more by purchasing 3G Data Cards to enable user to access the network remotely while in field. The finance systems were upgraded to use MS SQL from previously used Pervasive. This has provided more stability to the ACCPAC system and less frustration for users and technical support.

National Database System

The Board is directed/enjoined by statute to establish and maintain a number of national databases.

Section 65 (1) sets out the functions of the Board:

- 1) *"The board has the following powers and duties to be exercised and performed in accordance with this Act:*
 - (a) *establishing and maintaining-*
 - (i) *the national register of excluded persons, in accordance with section 14;*
 - (ii) *the national central electronic monitoring system, in accordance with section 27;*
 - (iii) *the national register of gambling machines and devices, in accordance with section 21;*
 - (iv) *a central registry of information contemplated in section 35; and*
 - (v) *the national probity of information contemplated in section 57;"*

Considering the slow pace of progress in the development of the national registers, the Board has established a project team under the chairmanship of Dr Johan van Loggerenberg from the University of Pretoria, who has since re-defined the specifications for the National Probity and Exclusion Database; these changes were deemed necessary and in line with the requirements of the Act. Once complete the changes were presented to the PLA's to obtain their acceptance and approval.

The Board and the PLAs have reached consensus and agreed that the system should be web-based, which will allow stakeholders to view and capture data using limited resources. There shall be a proper user matrix in place and some users shall be allowed to view only on the database while others shall be able to capture data onto the system. Only the originating user will be able to edit the captured records. The need was also identified to establish a committee to look after system change requirements. The National Gambling Board System will not replace the systems or processes the PLAs are currently using, since the system will only be capturing the end product and that the existing internet access from other stakeholders will be suitable for the proposed system. Consequently, there shall be no extra costs for this new connectivity method.

The following constitutes the agreement that was reached with the provinces on the development of the system:

- a) The PLAs should be responsible for data capturing.
- b) The cost of connecting to the databases should be shared between the Board and all the PLAs.
- c) The Board will carry the cost of the development or adoption and running of the system (in line with the Act for the Board to "establish and maintain").
- d) Such a system will be made accessible to PLAs to replace any systems that they may have in this regard and that this system is also accessible to other stakeholders such as Casinos.
- e) There will be no costs incurred for the network as a VPN line is to be used for transmitting data.

- f) PLAs are responsible for the Human Resources and Equipment cost of capturing the current and historic information. The cost of the data communications network between the Board, PLAs, Casinos and Operators is shared equally between the Board and the PLAs.
- g) Each entity (Board, PLA, Casino, Operator) is responsible for the cost associated with the computer equipment (inclusive of all software) at its premises up to and including the point of contact (router) with the data communications network.
- h) Capturing, entering and maintaining the data for the national databases is for the cost of the entity entering the data (mostly PLAs).
- i) Cost associated with the safeguarding of the data contained in the national databases, is for the cost of the Board.

In conjunction with the above recommendations, the consultants recommend further that, "regulations be developed and passed as a priority to avoid any confusion between the role of the Board and the role of PLAs."

The Board has approved the recommendations of the consultants from the University of Pretoria and is currently in discussions with the PLAs on the way forward in the spirit of co-operative government.

Interactive Gambling

Following the report commissioned by the Interactive Gambling Policy Committee (IGPC) that was established as contemplated in Item 5 of the transitional provisions of the Act, Council was engaged on the report and the recommendations made by the Committee. A policy document was initiated by **the dti** and an amendment Bill on interactive gambling has been drafted. The draft amendment Bill of the National Gambling Act no 7 of 2004, which makes provision for the licensing, monitoring and regulation of interactive gambling activities in the Republic, was made available to all the relevant role players for comment on 18 December 2006 and the closing date for such comment was 12 February 2007. The Board made representations before the Portfolio Committee on trade and industry on 14 February 2007 with a view of providing a brief on the objects and content of the Bill. The Portfolio committee has

directed that public hearings be scheduled to enable interested parties to attend the hearings. **The dti** is yet to consult and schedule consultations with all affected stakeholders, where after the Bill shall be reviewed and legislative processes be followed.

The Bill highlights the following:

- a) Because of the borderless nature of interactive gambling, its licensing shall be implemented at national level as opposed to it being a provincial imperative.
- b) All the servers of all licensed operators shall be located in South Africa and will trade in rands even though foreign currency gaming will also be possible; all such transactions will be routed through licensed financial institutions..
- c) It highlights stringent comprehensive probity exercises that have to be strictly adhered to with all licencees renewing their licences on an annual basis.
- d) It recognizes and identifies the key tenets of player protection, which falls within the purview of the regulatory framework in South Africa and would consequently contribute towards the NRGF.
- e) Issues of gambling and corporate taxes are addressed to ensure that the industry remains competitive.

Litigation

a) Ebrahim Rajah & Others vs. The Chairperson: North West Gambling Board & Others

The Applicants in the matter had challenged the constitutionality of Section 9 of the National Gambling Act, Act no 7 of 2004 and Section 65 of the Northwest Gambling Act. Judgement in the matter was granted on 03 March 2006 against the respondents setting aside the search warrants that had been issued against the Applicants. The matter has been adjourned to a date yet to be decided for the hearing of oral evidence on the issues relating to the nature of the Applicants' businesses and the operation of the machines which are related intrinsically with the third prayer sought for the declaration of section 9(1) (a) of the National Gambling Act, Act no 7 of 2004 as unconstitutional. The dates have not yet been arranged with the Registrar of the Court for the arguments.

Chief Executive Officer's Report

(continued)

b) KwaZulu-Natal CMS Monitoring Systems / KZNGB & Other

The High court dismissed the application by KZN CMS against the Kwazulu-Natal Gambling Board ("KZNGB") and others on the basis that the Applicant did not have any authority to enter into the contract on behalf of the Premier. Consequently, it was indicated that the KZNGB did not have authority to enter into such an agreement. The application was dismissed with costs. The Applicants have since entered an appeal process and the matter is currently pending in the Supreme Court of judicature in Bloemfontein.

c) Akani Egoli vs The Chairperson of Gauteng Gambling Board and others

The Board resolved that an appearance to defend the matter be entered and that subsequent thereto, that an affidavit tabulating the Boards' position on the matter and its decision to abide the decision of the court be filed. The Board's CEO filed an answering affidavit outlining the Board's views on the matter on the 15th September 2006. The matter is still pending in court.

d) Viva Bingo/Galaxy Bingo vs the Chairperson of the NGPC and others

An urgent application for an injunction was moved by the Applicants on 09 November 2006 for a restraining order against the Chairman of the National Gambling Policy Council and the Chairman of the Board precluding Council from considering and deliberating on any proposals by the Board on the imposition of a moratorium on the issuance of further bingo licenses and the roll out of electronic bingo terminals by the various provincial gambling boards; the operation of existing bingo operations; and the further licensing and roll out of electronic bingo terminals by the provincial gambling boards until such time that the applicants had had sight of the submissions by the Board to the NGPC and had been afforded reasonable opportunity to respond thereto.

In granting the interdict, the court ruled that Council was precluded from discussing the issues until such time that the Applicants would have been given reasonable opportunity to respond to the contents of the memorandum submitted to Council by the Board. The Board was ordered to pay for the applicants costs of the application. The Applicants have since made submissions to the Board and to **the dti** on the issue.

e) Casino Enterprises (Pty) Ltd vs Gauteng Gambling Board and others

Casino Enterprises had instituted motion proceedings against the Board and others for a declaratory order that gambling on the plaintiff's on line casino in Swaziland be rendered to legally take place in Swaziland, and not in the Gauteng province and that any advertising occurring in the province in respect of the plaintiff's casino in Swaziland is not unlawful and does not contravene section 71(1) of the Gauteng Gambling Act.

Subsequent thereto, an exception to plaintiff's declaration was delivered contending that it did not disclose a cause of action and or lacked material allegations necessary to sustain a cause of action. The arguments on the exception raised were heard on 03 November 2006 in the High court. Judgment was granted on 28 November 2006 with the Court ruling against Casino Enterprise and granting a declaratory order in favour of the GGB which bans online gambling within the Gauteng province.

The judge, in passing judgement, ruled that Applicant's declaration did not disclose a cause of action and that it was operating illegally in South Africa; further that it should be legally licensed prior to it being accorded the necessary recognition.

The Applicant has appealed against the finding in the Supreme Court and the matter remains pending.

f) Phumelela Gaming Leisure v Andre Grundlingh & Others

On 7 July 2005, the Board was served with Court papers as the fourth Respondent in the matter. The Board opposed the application.

The Applicant sought and obtained an order in the High Court, Transvaal Provincial Division interdicting the first and second respondent bookmakers from unlawfully offering and receiving bets which were not fixed odds bets, or from using the applicant's results and or dividends derived from the applicant's totalisator pool, as a basis for determining the payouts in respect of bets offered or taken by them.

The first and second respondent appealed against the decision of the court to the Supreme Court of Appeal. The Supreme Court upheld the first and second Respondents appeal and

held that although the first and second respondents had, in the course of their business of taking bets as bookmakers, appropriated the results of the Applicant's totalisator system for the purposes of determining their own odds, this was not unlawful.

The matter was taken to the Constitutional Court for a declaratory order and the Constitutional Court judgment was delivered on 18 May 2006. Chief Justice Langa, writing for a unanimous court, first considered whether leave to appeal should be granted. He found that the case raised a constitutional matter and that the Constitutional Court therefore had jurisdiction to hear the matter. He also held that the failure to raise the constitutional aspects of the case in the previous courts should not bar Phumelela from pursuing those arguments in this court. Courts always have an obligation to view legislation, common law and customary law through the

prism of the Bill of Rights. As the application also had substantive merit, the court granted leave to appeal.

The court then turned to the question of whether, in light of the Constitution, the bookmakers' actions were unlawful. In light of that finding, Phumelela's claim that the Supreme Court of Appeal's decision was an arbitrary deprivation of its property also had to be rejected.

With regards to the direct access challenge to the National Gambling Act the Court held that direct access would only be granted when it was in the interests of justice to do so; and that it would only be in the interests of justice for the court to sit as a court of first and last instance without any chance of appeal if compelling circumstances required it to do so. No such circumstances were identified in the matter and the claim for direct access was therefore dismissed.



Board Members



Mr Chris Fismer
Chairperson



Mr Victor Masola



Ms Thebi Moja
Deputy Chairperson



Ms Laura Kganyago



Ms Zandile Mdhladhla



Adv Tayob Aboobaker

Resignations:

Mr Godfrey Lebeya
Mr Edzi Ramaite
Ms Edith Magomola
Ms Astrid Ludin

Staff Members



From Left to Right:
 Emily Ntsowe - Chief Financial Officer
 Themba Marasha - Acting Chief Executive Officer

Front row from left to right: Surgeon Mthombeni (Senior Accountant), Tshepe Mokoena (Manager: Human Resources), Keletso Makopo (Receptionist), Karen van Dyk (Bookkeeper), Sakhí Mhlongo (Gaming Systems Officer), Pamela Makamo (Researcher: IMD), Beatrice Leola (General Office Assistant) and Themba Marasha (Acting CEO).

Middle row from left to right: Adv. Tlotliso Polaki (Board Secretary), Emily Ntsowe (Chief Financial Officer), Nokwazi Thwala (Legal Administrative Officer), Morongoa Maponya (Senior Inspector: Compliance), Magora Lekala (Driver / Messenger), Nthabiseng Bogoshi (Office Administrator), Martí Grobler (Personal Assistant to CEO) and Veronica Northmore (Personal Assistant to COO).

Back row from left to right: Mike Burns (Manager: Compliance), Thabiso Mango (Senior Researcher: Information Management), Mauricia Benn (Personal Assistant to CFO), Denzil J. Pillay (Manager: Horseracing and Betting), Kedibone Gama (Inspector: Compliance), Estelle Jonkheid (Manager: Information Management) and Edwin Machabaphala (Senior Inspector: Horseracing and Betting)

Absent: Sarah Moganetsi (Accounts Assistant), Mankwele Mangwanatala (HR Officer) and Veronica Khoza (Gaming Systems Officer)

Staff who have left the service of the Board:

- Vuyo Memani-Sedile
- Phelokazi Sawula
- Kobie van den Berg
- Adv. Thibedi Majake
- Mthunzi Ngwane

Statement of Responsibility

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

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

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

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

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice including any interpretations of such Statements

issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practice issued by the Accounting Standards Board to the extent as indicated in the appropriate accounting policies and include amounts based on judgements and estimates made by management.

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. However this should be read in conjunction with note 15 of the financial statements.

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

The financial statements were submitted to the Auditor-General on the 31 May 2007 but subsequently due to material adjustments (in the notes), the Board re-submitted the final financial statements approved on 30 July 2007. The annual financial statements as set out on pages 49 to 56 are signed on behalf of the Board by:

Chris Fisser
Chairperson

Themba Marasha
Acting Chief Executive
Officer

Corporate Governance Report

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

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

Board

National Gambling Board is retained by the National Gambling Act, 2004, (Act No 7 of 2004). The Board is constituted by non-executive members appointed by the Minister of Trade and Industry and it is the highest decision making body in the organisation. The composition of the Board is as follows: a non-executive chairperson, non-executive members with the chief executive officer (ex officio) being the only executive nonvoting member.

The Board consist of men and women of integrity who bring a wealth of experience from different industries and backgrounds which serves as a reservoir of knowledge to the Board.

The full Board sits every alternate month to deal with strategic issues pertinent to the business of the Board in pursuit of its mandate.

During the period under review, seven (7) Board meetings were held at different dates. The names of the Board members are listed below:

Board member	Number of meetings	Meetings attended
Mr CL Fismer (Chairperson)	7	7
Ms T. Moja (Deputy Chair)	7	7
Adv. TN Aboobaker	7	7
Ms N. Magomola (resigned April 06)	1	1
Assist. Comm G. Lebeya (resigned Nov. 2006)	7	2
Ms A. Ludin	7	4
Ms LJN Kganyago	7	7

Ms Z. Mdladlana (appointed Oct 06)	2	1
Mr E. Ramaite (resigned Feb. 07)	7	0
Mr V. Masola	7	5
Adv. TW Majake (Ex officio) (Resigned 31/3/2007)	7	5

In order to deliver on its mandate the Board established committees of the Board, comprising of both members of the Board and management, to monitor progress and ensure implementation of decisions. However, all power and authority vests in the Board unless delegated in writing to any committee or executive manager.

Chairperson's Committee

The Chairperson's Committee comprises of four non-executive Board members and the Chief Executive Officer (no voting rights). This committee is responsible for the implementation of strategies and policies of the Board. It assists the Chief Executive Officer, within his delegation of authority to manage the business affairs of the Board.

The committee also monitors the performance of senior management and serves as the remuneration committee of the Board. The Chairperson of the Board chairs this committee.

During the year under review (2006/07), it met six times on different dates.

The names of the members are listed below:

Names of member	Number of meetings attended
Mr CL Fismer	6
Ms T. Moja	6
Adv. TN. Aboobaker	5
Ms LJN Kganyago	6
Adv. TW. Majake (resigned 31/3/2007)	3

Human Resource Committee (HRCO)

The primary object of the HRCO is to develop and implement a competitive human resource strategy to ensure that the Board is able to attract, retain and develop the best possible talent to support superior business performance. The Deputy Chairperson of the Board chairs this committee and she has two other members of the Board serving in the committee.



Corporate Governance Report

(continued)

During the year under review (2006/07) the committee met three times, 18 May 2006, 07 July 2006 and 12 February 2007, respectively. The names of the members are listed hereunder:

Names of members	Number of meetings attended
Ms T. Moja (Chairperson)	3
Ms LJN Kganyago	3
Ass. Comm. G. Lebeya (resigned 30 Nov 2006)	1
Adv. TW. Majake (resigned 31 March 2007)	2

Audit Committee

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

In terms of PFMA, the Committee comprises of two independent members and two non-executive Board members and meets at least twice 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.

Members are appointed for a term of at least three years, after which the Board may choose to reappoint outgoing members for an additional term.

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; and

- Comment on its evaluation of the financial statements in the annual report.

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

Tender Committee

There is an internal Tender Committee chaired by the Chief Financial Officer which assists the Board with evaluating and approving tenders above R200 000 for services and products required. The tender process is governed by the provisions of Public Finance Management Act, 1999 (Act no 1 of 1999) and the Preferential Procurement Policy Framework Act, 2000, (Act No 5 of 2000) and Regulations issued there under.

Systems of Procurement

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

Risk Management

Identification and management of risk is an integral part of the Board. A commitment is undertaken to improve risk control measures within the entity, on an ongoing basis, with the intention to safeguard the Board's resources, assets, corporate image and reputation against future losses.

Risk management process consists of risk identification, risk assessment and analysis, risk measurement and formulating strategies to pacify such risks. Management has total responsibility to manage the risk management process and reporting on it. The risk management process includes financial, operational, compliance and general business risk.

Materiality Framework

The Board, for the period 1 April 2006 to 31 March 2007, determined a planning materiality figure of R206 000. The Board's business is such that it is not income generating (schedule 3 public entity) and actual expenditure was regarded as the best indicator of business activity. 1% of budgeted expenditure was used in determining this figure.

Material facts of a quantitative nature need to be disclosed if any fact discovered exceeds the materiality figure of R206 000.

All losses of a quantitative nature need to be disclosed in the annual report and the financial statements if they arose through irregular/ fruitless/wasteful expenditure.

The Board paid out a severance package of R656 000, to the former Chief Executive Officer, who resigned on 31 March 2007.

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

- Disclosure of the event/item is required by law; and
- 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.

Performance Report

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 National Gambling Act 2004 (Act No 7 of 2004) on which certain activities were dependent, some of these activities are:
 - Introduction of norms and standards; and
 - 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 provisions for the introduction of an internet gambling industry were only promulgated in November 2004. The Board is regulated by statute to introduce legislation to this end within two years after the promulgation of the new Act. In terms of the Act, regulation of interactive gambling ought to have been introduced in Parliament at the beginning of November 2006. A draft amendment Bill of the National Gambling Act, 2004 (Act No 7 of 2004), which makes provision for the licensing, monitoring and regulation of interactive gambling activities in the Republic, was made available to all the relevant role players in the gambling industry for comment in December 2006.

Legislative processes are currently underway and the process of finalizing the Bill for introduction in parliament is yet to be concluded.

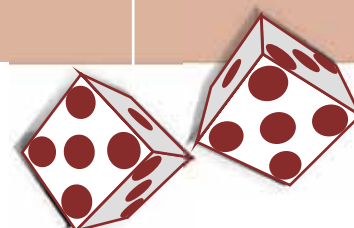
- Although the 2004 Act does not have a clause providing for the regulation of internet gambling, it does however clearly make it unlawful for any operator to provide internet gambling to South Africans or for South Africans to participate in Internet gambling until the national legislation providing for internet gambling has been passed.
- The assumptions relied upon by the central electronic monitoring systems (CEMS) operator in its tender, both with regard to the number of limited payout machines (LPMs) and the roll out of time frames, have proved to be overly optimistic. The number of LPMs and the roll out time frames are prerogatives of the provincial Licensing Authorities (PLAs) and the Board has no control thereof. This has led to the slow roll out of LPMs.

These factors introduced uncertainties and constraints impacting not only on staffing, but also 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 terms of key objectives as set out in the strategic plan for the year is outlined below.

Objective	Key Performance Area	Achievement	Constraints
Advising the Minister on legislation and regulations	<ul style="list-style-type: none"> • Development and implementation of norms and standards. • Provide advice to the National Gambling Policy Council. • Constant interaction with the stakeholders. • Provide a solution for treating and rehabilitating persons addicted to gambling. 	<ul style="list-style-type: none"> • Norms and standards have been developed and is going through consultation with the relevant stakeholders and will then be approved by the Board, prior to implementation. • Meetings of the National Gambling Policy Council took place and relevant input was given. • Different forums were convened to interact with stakeholders. • The NRGP integrated research and monitoring, public education and awareness, training, treatment and counselling under the supervision of SARGT and SAACREG. 	

Objective	Key Performance Area	Achievement	Constraints
Advising the Minister on legislation and regulations (continued)	<ul style="list-style-type: none"> Conduct economic impact studies in the provinces for the additional limited payout machines roll out. 	<ul style="list-style-type: none"> No LPM quota was reached that requires a study before future implementation. 	
Provide reliable information through the establishment and maintenance of national systems.	<ul style="list-style-type: none"> Establish and maintain a national probity and exclusion database. Establish and maintain a machine registry database. 	<ul style="list-style-type: none"> The development of these national databases is ongoing although some challenges regarding development were encountered by the Board that delayed the development. 	
Implementing and maintaining a central electronic monitoring system (CEMS) linking all the Limited Payout Machines (LPMs) in the Republic, to enable the introduction of an LPM Industry and service the requirements of provincial licensing authorities (PLAs) and the Board on a national basis.	<p>Roll out of LPMs to :</p> <ul style="list-style-type: none"> a) Limpopo- Sept 2005 b) North West- Jan 2007 c) Free State March 2007 d) Northern Cape March 2006 e) Gauteng Feb 2005 f) KwaZulu Natal <ul style="list-style-type: none"> Ensure compliance with the service level contract by service provider Zonke Monitoring Services (ZMS) on an ongoing basis. 	<ul style="list-style-type: none"> a) On track issued route operators licences B) On track Approved Route Operators and awaiting to issue licences. c) Policy still to be approved by the MEC. d) PLAs have not started with the process yet e) Socio economic study completed and awaiting the go-ahead from provincial government. f) In the process of evaluating request for proposal for route operators. <ul style="list-style-type: none"> An audit of the CEMS has been completed and will be finalized in the next financial year. 	<ul style="list-style-type: none"> e) Decision pending by the provincial government and the Gauteng Gambling Board when to implement roll out of LPMs. <p>Pending High Court case against KwaZulu- Natal Gambling Board.</p>



Performance Report

(continued)

Objective	Key Performance Area	Achievement	Constraints
<p>Providing reliable statistical and research material on an ongoing basis</p> <p>a) National gambling statistics database</p> <p>b) Casinos in South Africa</p>	<ul style="list-style-type: none"> Maintaining a database of primary national gambling statistics (Turnover, gross gambling revenue and gambling tax/levy contribution per province for all modes of gambling in South Africa) <p>Maintaining a register of all casinos and their activities in South Africa.</p>	<ul style="list-style-type: none"> Data received from PLAs for the 2006/7 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 received timeously
c) Maintenance of the Resource Centre	<ul style="list-style-type: none"> Establishing and maintaining the Resource Centre. 	<ul style="list-style-type: none"> Resource Centre established and kept updated. Kept staff informed on any relevant gambling related matter. An electronic interactive Resource Centre database and reference system established. 	
d) Maintenance of website.	<ul style="list-style-type: none"> Updating and maintaining the website. 	<ul style="list-style-type: none"> The website is updated as and when required. 	
e) Report on Black Economic Empowerment (BEE) in the gambling industry and the decision whether to have a generic or an industry gambling charter.	<ul style="list-style-type: none"> Compile a report on the status on BEE and to make recommendations on whether a generic charter or industry specific charter must be developed. 	<ul style="list-style-type: none"> The matter has been taken to the National Gambling Policy Council for principal and consensual approval to engage industry on the development of the industry specific charter. A report has been compiled and must be reviewed to be in line with the gazetted codes of good practise prior to consultation with the stakeholders. Regulators are currently conducting an audit on the industry on what has been achieved in line with the promulgated codes of good practise. 	
<p>Streamlining national probity investigations, licensing and other processes</p> <p>(a) Promoting a national uniform approach to self exclusions by persons with gambling problem from gambling establishments.</p>	<ul style="list-style-type: none"> Development of the probity investigations and exclusion database. 	<ul style="list-style-type: none"> The development of the probity and exclusion system is currently experiencing challenges, which the Board is addressing and will then be finalised 	

Performance Report

(continued)

Objective	Key Performance Area	Achievement	Constraints
Streamlining national probity investigations, licensing and other processes (continued) b) Promoting a national uniform approach to probing and investigating gambling operator applicants.			
Holding a biennial conference to create public awareness, inform and educate local stakeholders of topical issues relating to the gambling industry	<ul style="list-style-type: none"> • Holding a biennial national gambling conference in April 2006. 	<ul style="list-style-type: none"> • 4th Biennial conference was held in April 2006 in Cape Town. 	
Increasing the effectiveness of National Inspectorate a) Providing co-ordination support, capacity and expertise in the eradication of crime and illegal gambling activities.	<ul style="list-style-type: none"> • Assist PLAs in the eradication of illegal gambling. • Collection of statistics on operations to shut down illegal gambling operations throughout the country. 	<ul style="list-style-type: none"> • Formulate a national working group with SAPS and National Prosecuting Authority (NPA) to monitor and oversee the eradication of illegal gambling in South Africa. • Interaction with different law enforcement agencies occurred and several challenges encountered and the matter will be taken to the Minister for assistance <p>The following successes were achieved (April 2006 to March 2007):</p> <ul style="list-style-type: none"> • 371 illegal gambling operations were shut down. • 630 illegal gambling machines and devices were confiscated. • 31 cases were successfully prosecuted. • 484 illegal gambling machines and devices were destroyed after convictions. • 10 illegal gambling tables were destroyed after convictions. 	<ul style="list-style-type: none"> • Disparities in the gambling legislation in the province. • Lack of e-gaming laws. • Lack of deterrent sentences by our courts. • The dissolution of the SAPS units dealing with gambling. • Lack of prioritisation of illegal gambling as a criminal offence by law enforcement agencies.

Performance Report

(continued)

Objective	Key Performance Area	Achievement	Constraints
b) Ensure that effective regulatory systems are implemented by provinces.	<ul style="list-style-type: none"> Assistance to PLAs (North West and Northern Cape) Provide gambling training seminars (Training to GRAF members and PLAs) Monitoring compliance with Financial Intelligence Centre Act (FICA) (Joint inspections on FICA conducted on all casinos in conjunction with the FIC) Training, in conjunction with the FIC, offered to the Book-makers on FIC. Conduct compliance inspections over PLAs. 	<ul style="list-style-type: none"> Regular compliance inspections are conducted on PLAs on horseracing, betting and casino compliance, during the financial year the compliance department conducted oversight evaluation inspections in six (6) of the nine provinces, with the others requesting extensions until the next financial year, that being 07/08. Provide capacity and expertise on horseracing and betting Seminars on best practices are arranged for all PLAs on a needs basis. Regular FIC inspections are conducted. Conducted FICA training in the Betting Industry in KZN and Western Cape. <p>Regular compliance inspections are conducted on PLAs on horseracing, betting and casino compliance. During the financial year the compliance department conducted oversight evaluation inspections in six (6) of the nine provinces, with the others requesting extensions until the next financial year, that being 07/08.</p>	
Contribute towards economic growth and development of the African continent within NEPAD framework	<ul style="list-style-type: none"> Participation in the Gambling Regulators African Forum (GRAF) for all gambling regulators on the African continent. 	<ul style="list-style-type: none"> GRAF annual conference was successfully hosted by the NGB in November 2006. SA is still the permanent secretary of GRAF since appointed in November 2005. 	

NGB

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Report of the Audit Committee

for the financial year ending 31 March 2007

We are pleased to present our report for the financial year ended 31 March 2007.

Audit Committee Members and Attendance

The Audit Committee is constituted in terms of the provisions of sections 51(1)(a)(ii), 77 of Public Finance Management Act, Treasury Regulations 27.1.7 and 27.1.10(b)(c) and sound corporate governance practices and operates within that framework.

The National Gambling Board has established an Audit Committee which comprises of two independent members and two non-executive Board members. The chairperson of the Audit Committee is an independent member.

The Committee meets at least twice a year and the Chief Executive Officer, internal auditors and representatives from the office of the Auditor General attend audit committee meetings.

The Committee operates in accordance with its terms of reference and is satisfied that it has completed its responsibilities in compliance with its charter.

During the year under review the Audit Committee met on 25th May 2006, 19th July 2006 and 17th January 2007 respectively.

Names of the members	Number of meetings attended
Mr JFJ Scheepers (Chairperson)	3
Ms T. Mahlali	3
Mr E. Ramaite (resigned Feb. 2007)	1
Mr V. Masola	1

Audit Committee Responsibilities

The Audit Committee reports that it has complied with its responsibilities arising from Treasury Regulation 27. The Audit Committee also reports that it has also adopted appropriate formal terms of reference as per its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

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; and
- Comment on its evaluation of the financial statements in the annual report.

In addition to the above responsibilities, the Audit Committee also served as the Risk Management Committee. It monitors compliance with the risk assessment strategy and ensures implementation of the fraud prevention plan through periodic reviews of risk reports by management and review risk assessment of the organisation annually. Minutes of the committee meetings are directed to the Board for discussion during the next Board meeting.

The Effectiveness of Internal Controls

As indicated in the report of the Auditor-General, the system of internal controls were lacking in some areas. These non-compliance issues are currently being considered by management with a view to provide effective internal controls.

The internal audit function was outsourced to SizweNtsaluba VSP, an auditing firm, and they have reported to the Auditor-General on all matters of their audits within the Board.

The Audit Committee has continued to assist the Board in fulfilling its oversight responsibilities as it relates to internal controls, risk management, compliance with laws, regulations and financial management.

Quality of Management and Monthly - /Quarterly Reports submitted in terms of the PFMA

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

Evaluation of Financial Statements

The Annual Financial Statements of the National Gambling Board were reviewed and the approval thereof recommended to the Board.

The Audit Committee has:

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

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

JFJ Scheepers

Chairperson of the Audit Committee

Date : 15 July 2007



Report of the Auditor General

for the year ended 31 March 2007

Report on the Financial Statements

Introduction

1. I have audited the accompanying financial statements of the National Gambling Board which comprise the statement of financial position as at 31 March 2007, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages [xx] to [xx].

Responsibility of the accounting authority for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and the National Gambling Act, 2004 (Act No. 7 of 2004). This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- selecting and applying appropriate accounting policies; and
- making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 75(2) of the National Gambling Act, 2004 (Act No. 7 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with the International Standards on Auditing and General Notice 647 of 2007, issued in Government Gazette No. 29919 of 25 May 2007. Those standards require that I comply with ethical

requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
- appropriateness of accounting policies used;
 - reasonableness of accounting estimates made by management; and
 - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

8. The public entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in note 1.1 to the financial statements.

Basis for qualified opinion

Internally generated intangible asset

9. International Accounting Standards (IAS) 36, paragraph 10(a) states that irrespective of whether there is any indication of impairment, an entity shall also test an intangible asset not yet available for use for impairment annually. If such indications exist, the entity shall estimate the recoverable amount of the asset. Management had not assessed at 31 March 2007 the potential impairment of the internally generated intangible asset (National Database) valued at R2 436 000, which has not yet been brought into use. During the 2006/2007 period's audit, it has also come to my attention through discussions with the Chief Financial Officer and acting Chief Executive Officer that due to changes in the Gambling Act made in 2004 and after

considering the impact thereof, this has affected the development and requirements of the National Database. Some of the database's original functions that had been developed may no longer be needed due to the change in legislation. This is an indication that the internally generated intangible asset may need to be impaired as result of this. Since management had not done an impairment test on the internally generated intangible asset, I was unable to determine whether the internally generated intangible assets valued at R2 436 000 was fairly stated in the financial statement at year end. The internally generated intangible asset balance makes up 38% of the total assets (R6 374 000) of National Gambling Board. Due the potential errors (unknown), which may exceed my materially resulting from the above as well as the non-compliance with the accounting standards, I was unable to determine if the internally generated intangible asset and the related impairment expense was fairly stated in the financial statements as at 31 March 2007 due to a limitation of scope on my audit.

Qualified opinion

10. In my opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of National Gambling Board as at 31 March 2007 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by National Treasury of South Africa, as described in note 1.1 of the accounting policies to the financial statements, and in the manner required by the PFMA and the National Gambling Act.

Emphasis of matter

11. Without further qualifying my audit opinion, I draw attention to the following matters:

Property, plant and equipment

12. The National Gambling Board did not assess the remaining useful lives and residual values of its assets in accordance with IAS 16 Property, Plant and Equipment, paragraph 51 and its accounting policy for the 2006/2007 period. This constitutes non-compliance with the entity's chosen reporting framework.

Going concern

13. The National Gambling Board incurred a deficit for the second successive year running. The entity's liquidity,

reserves and cash position have also deteriorated from the previous years. The National Gambling Board's submitted budgeted operating expenditure exceeded the budgeted dti grant allocation over the next three years. By adding the budgeted capital expenditure requirements of the National Gambling Board, further escalates the shortfall in revenue to expenditure. This could affect the going concern status of the entity. It is uncertain at this stage if sufficient funding would be made available by the dti for the 2007/2008 financial period to meet all the expenditure of the National Gambling Board. Further details of the going concern risk are set out in note 15 to the financial statements.

Other Matters

14. I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

Material non-compliance with applicable legislation

15. The National Gambling Board has not complied with section (65)(1)(c) of the National Gambling Act, 2004 (Act No. 7 of 2004) in respect of establishing and maintaining 4 of the 5 national registers. The four registers that were still under development related to excluded persons, gambling machines and devices, central registry of information, and national probity registers.

Material misstatements in the financial statements submitted for audit on 31 May 2007

16. The financial statements, approved by the accounting authority as submitted for audit on 31 May 2007 have been significantly revised in respect of the following misstatements identified during the audit:

- The National Gambling Board did not disclose all transactions and balances with public entities in the National Sphere of Government as required by SAICA circular 4 of 2005. The only related transactions disclosed in note 13 to the financial statement were in respect of the Department of Trade and Industry. The other significant related party (South African Revenue Services) was not included in the related parties disclosure note. The related part disclosure note 13 was subsequently amended by management.
- The National Gambling Board entered into a finance lease for the supply of photocopiers over a period of 60 months in November 2004, without obtaining the approval of the Minister of Finance in terms of Treasury Regulation 32.2.5 (b) resulting in irregular expenditure. The National

Report of the Auditor General

for the year ended 31 March 2007 (continued)

Gambling Board had not disclosed the expenses on the finance lease as irregular expenditure in the financial statements as required by the PFMA. Management subsequently amended the financial statements and included note 18 to the financial statement to reflect the irregular expenditure.

- The performance bonuses provision (note 11) created in the 2005/2006 year of R537 000 should have been indicated as utilised in the 2006/2007 year. In addition, the current year additional provision should have been reflected at R1 094 000 and not R557 000. With respect to leave pay provision, the additional provision and utilisation of the provision in the 2006/2007 year was netted-off and reflected in the additional provision line. Therefore, the utilisation of provision line for the 2006/2007 year was indicated as nil. The net effect of these errors was zero on the statement of financial performance and position. However, disclosure note 11 was incorrectly reflected. Management subsequently corrected these errors in note 11 to the financial statements.
- The chairperson's and vice chairperson's infrastructure costs of R303 514 and R60 000 respectively for both the 2005/2006 and 2006/2007 years were not included in the line item Board and Executive Members' Remuneration on the statement of financial performance as well as in note 3.4 to the financial statements. They were incorrectly included in the Operating leases expense line item in the statement of financial performance and in note 3.9. Management subsequently corrected these errors in the financial statements.

The entity has corrected the above errors and submitted revised annual financial statements on 16 July 2007.

Other Reporting Responsibilities

Reporting on performance information

17. I have reviewed the performance information as set out on pages [xx] to [xx].

Responsibilities of the accounting authority

18. The accounting authority has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly

present the performance against predetermined objectives of the public entity.

Responsibility of the Auditor-General

19. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with General Notice 646 of 2007, issued in Government Gazette No. 29919 of 25 May 2007.

20. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

21. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

Audit findings

Lack of documented system generating performance information

22. No formalised policies and procedures have been documented to describe the process implemented by the National Gambling Board for the collection, review and reporting of performance information throughout the year.

Appreciation

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

R Govender for Auditor-General
Pretoria
30 July 2007



A U D I T O R - G E N E R A L

Board Members' Report

for the year ended 31 March 2007

1. Introduction

The members of the National Gambling Board, ("the Board"), have pleasure in presenting their report for the year ended 31 March 2007. This report complements the financial statements and provides additional information and explanations relating to the operations and performance of the Board as well as relevant statutory information required in terms of the National Gambling Act, 2004 (Act No 7 of 2004) ("the Act") and the Public Finance Management Act, 1999 (Act No 1 of 1999) and Treasury Regulations there under.

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, racing, gambling and wagering and in particular for the promotion of uniform standards applying generally throughout the Republic.

3. Objects and functions

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

- a) Monitoring and investigating, when necessary, issuing of national licenses by provincial licensing authorities for compliance with the Act.
- b) Investigating, monitoring and evaluating compliance with the Act by provincial licensing authorities, entering into agreements with those authorities in respect of steps to be taken to correct any deficiencies and making recommendations to the National Gambling Policy Council (the Council) in relation to such matters.
- c) Establish and maintain:
 - i) the national register for excluded persons;
 - ii) the national central electronic monitoring system;
 - iii) the national register of gambling machines and devices;
 - iv) a central registry of information; and
 - v) the national probity register.

d) Monitoring socio-economic patterns of gambling activity within the Republic and in particular must research and identify factors relating to, patterns, causes and consequences of:

- i) the socio-economic impact of gambling; and
- ii) addictive or compulsive gambling;

e) Evaluating

- i) the issuing of national licenses by provincial licensing authorities; and
- ii) the compliance monitoring of licensees by provincial licensing authorities;

f) Conducting oversight evaluations of the performance of provincial licensing authorities, so as to ensure that the national norms and standards established by this Act are applied uniformly and consistently throughout the Republic of South Africa.

g) Assisting provincial licensing authorities to ensure that unlicensed gambling activities are detected; and

h) Exercise any other powers and performing any other duties assigned to it in terms of the Act.

3.2 The Board may -

- a) Advise the National Gambling Policy Council (the Council) on the maximum number of any kind of licenses relating to casinos, horseracing, gambling and wagering that should be awarded in the Republic or in any particular province.
- b) Advise the Council on matters of national policy relating to casinos, racing, gambling and wagering and on the determination of national norms and standards regarding any matter in terms of the Act that should apply generally throughout the Republic.
- c) Recommend to the Council changes to bring about uniformity in the laws of various provinces in relation to casinos, horseracing, gambling and wagering.
- d) Advise the Council, through the Minister of Trade and Industry, in respect of any matter referred to it by the Council.



Board Members' Report

for the year ended 31 March 2007 (continued)

- e) Monitor market share and market conduct in the gambling industry and refer any concerns regarding market share or possible prohibited practices to the Competition Commission in terms of the Competition Act, 1998 (Act No 89 of 1998).
- f) Provide a broad-based public education programme about the risks and socio-economic impact of gambling.

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

4. Key objectives for the year

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

- a) Research and information gathering function
 - Providing reliable statistical and research material pertaining to the gambling industry on an ongoing basis.
- b) Inspection function
 - Providing co-ordination, support, capacity and expertise in the eradication of crime and illegal gambling activities.
 - Compliance oversight of CEMS operator.
 - Establish and maintenance of:
 - National register of gambling machines/devices
 - National register of excluded persons
 - National probity register
 - National licences register.
 - Investigating, monitoring and evaluating compliance with the National Gambling Act.
- c) Oversight function of the responsible gambling programme
 - Providing a solution for treating and rehabilitating persons who have become addicted to gambling and to promote responsible gambling.
- d) Central electronic monitoring and control (CEMS) service provider

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

5. Financial Performance

The financial results as reflected in the attached statement of financial performance can be summarised as follows:

- a) Transfers on budget allocation amounting to R19,6 million (2006: R 12,6 m) were received from **the dti**. Interest revenue of R 249 000 (2006: R 371 530) and other revenue totalling R54 000 (2006: R57 000) was also received.
- b) Expenses as set out in the statement of financial performance amounted to R20,6 million (2006: 19.4 million) resulting in a deficit of R665 000 (2006: R6.7million) for the year.
- c) The accumulated surplus is reflected in the attached statement of changes in net assets. After deducting the deficit for the year, the accumulated surplus of R3.6 million (2006: R10.3 million) brought forward from the previous year was decreased to R2.9 million at the end of the year.

The financial position at the end of the year is reflected in the attached statement of financial position. Total assets with the book value of R6.3 million (2006: R 6 million) is made up of furniture and equipment, computer hardware and a motor vehicle, amounting to R400 900 (2006: R 517

848), computer software amounting to R2,5 million (2006: R 1.7 million) and current assets of R3.4 million (2006: R3.8 million). Total liabilities (all current) amounted to R3.4 million (2006: R2.5 million).

6. Capital Expenditure

Net capital expenditure on office equipment, office furniture, computer equipment and software amounted to R965 000 (2006: R 342 000).

7. Going Concern

The Board has adopted the going concern basis in the preparation of the financial statements. The Accounting Authority has no reason to believe that the Board will not be a going concern in the foreseeable future based on forecasts and available cash resources.

The National Treasury through the department of Trade and Industry has approved a budget of R19 million for the 2007/08 financial year and R17.8m and R18.7 for the financial years 2008/09 and 2009/10 respectively. Refer bto note 15.

Statement of Financial Performance of Fin

for the year ended 31 March 2007

	Notes	2006/07 R'000	2005/06 R'000
Revenue			
Transfer from Government Department	2.1	19,645	12,262
Other Income	2.2	54	57
Total Revenue		19,699	12,319
Expenses			
Amortisation - Software	3.1	20	13
Depreciation	3.2	267	294
Auditors' Remuneration	3.3	297	195
Board and Executive members' Remuneration	3.4	4,215	3,220
Professional & Consulting Fees	3.5	1,835	3,867
Personnel Costs	3.6	8,951	7,331
Traveling & Subsistence	3.7	2,216	1,658
Other Operating Expenses	3.8	1,570	1,018
Operating Leases	3.9	1,223	1,781
Finance Charges	3.10	19	19
Total Expenses		20,613	19,396
Deficit from Operations		(914)	(7,077)
Interest Income	4	249	371
Net Deficit for the year		(665)	(6,706)

Statement of Financial Position

for the year ended 31 March 2007

	Notes	2006/07 R'000	2005/06 R'000
Assets			
Current Assets			
Accounts Receivable and Prepayments	5	107	721
Cash and Cash Equivalents	8	3,324	3,099
		3,431	3,820
Property, Plant and Equipment	6	401	612
Intangible Assets	7	2,542	1,654
		2,943	2,266
Total Assets		6,374	6,086
Liabilities			
Current Liabilities			
Trade and other Payables	9	1,945	1,613
Provisions	11	1,444	798
Finance Lease	10	26	26
		3,415	2,437
Non-current Liabilities			
Finance Lease	10	43	68
Total Liabilities		3,458	2,505
Net Assets			
Accumulated Surplus		2,916	3,581
Total Liabilities and Reserves		6,374	6,086

Statement of Changes in Net Assets

for the year ended 31 March 2007

	Accumulated Surplusses R'000
Balance at 1 April 2005	10,287
Net Surplus for the year	(6,706)
Balance at 31 March 2006	3,581
Net Deficit for the year	(665)
Balance at 31 March 2007	2,916

Cash Flow Statement

for the year ended 31 March 2007

	Notes	2006/07 R'000	2005/06 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Grants		19,645	12,262
Interest Received	4	249	371
Other Receipts		35	22
Payments			
Employee Costs		(13,166)	(10,551)
Suppliers		(5,549)	(7,627)
Interest Paid	3.10	(19)	(19)
Net cash flows from operating activities	12	1,195	(5,542)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(57)	(327)
Proceeds from Sale of Property, Plant and Equipment		21	61
Purchase of Intangible Assets		(908)	(15)
Net cash flows from investing activities		(944)	(281)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Lease Liability		(26)	(26)
Net cash flows from financing activities		(26)	(26)
Net increase/(decrease) in cash and cash equivalents		225	(5,849)
Cash and cash equivalents at beginning of year		3,099	8,948
Cash and cash equivalents at end of year	8	3,324	3,099

Notes to the Annual Financial Statements

for the year ended 31 March 2007

1. Accounting Policies

The annual financial statements have been prepared on the historical cost basis and include the following principal accounting policies of the National Gambling Board which are, in all material respects, consistent with those applied in the previous year, except as otherwise indicated:

1.1 Basis of preparation

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

Standard of GRAP

GRAP 1: Presentation of financial statements

GRAP 2: Cash flow statements

GRAP 3: Accounting policies, changes in accounting estimates and errors

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

1.1.1. Terminology differences:

Standard of GRAP

Statement of financial performance

Statement of financial position

Statement of changes in net assets

Net assets

Surplus/deficit

Accumulated surplus/deficit

Contributions from owners

Distribution to owners

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

1.1.3. Specific information has been presented separately on the statement of financial position such as:

- a) Receivables from non-exchange transactions, including taxes and transfers;
- b) Taxes and transfers payable;
- c) Trade and other payables from non-exchange transactions ;

1.1.4. Amount and nature of any restrictions on cash balances is required.

Paragraph 11 - 15 of GRAP1 has not been implemented due to the fact that the budget reporting standard has not been developed by the local standard setter and the international standard is not effective for this financial year. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect the objective of the financial statements.

1.2 Presentation currency

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

1.3 Revenue recognition

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the National Gambling Board

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 when it is probable that such funds will accrue to the Board. CEMS contract fees and other non-operating income are recognised on an accrual basis.

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

1.4 Irregular and fruitless and wasteful expenditure

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

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

1.5 Property, plant and equipment

All property, plant and equipment are initially recorded at cost. Assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses are written off over the estimated useful life of the asset.

Depreciation is calculated on the straight-line method to write off the cost of assets to their residual values over their estimated useful lives as follows:

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Where the cost of an asset is less than R1 000 that asset is expensed immediately.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in or charged against income.



Notes to the Annual Financial Statements

for the year ended 31 March 2007

1.6 Intangible assets

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with identifiable software products controlled by the Board and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Intangible assets are stated at historical cost less accumulated amortisation and are written off over a period of three years on the straight-line method. Expenditure that enhances or extends the performance of computer software programs beyond their original specifications is recognised as a new acquisition. Purchased software is capitalised on purchase and in house developed software is capitalised as costs are incurred and only amortised once it is fully developed.

1.7 Impairment

At each reporting date, the Board reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are immediately recognised as an expense.

1.8 Leased assets

Leases of assets are classified whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised as assets at their fair value at the inception of the lease or if lower at the present value of the minimum lease payments. The corresponding liability to the lesser is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of financial performance.

Leases under which the lessor effectively retains the risks and benefits of ownership are classified as operating leases. Obligations incurred under operating leases are charged against income in equal instalments over the period of the lease.

1.9 Financial instruments

Financial instruments carried on the statement of financial position include cash and bank balances, receivables and trade payables. These financial instruments are generally carried at their estimated fair value, which is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

Recognition

Financial instruments are initially recognised using the trade date accounting method.

Measurement

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

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

Offsetting

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

Credit Risk Management

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

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

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

Interest Rate Risk Management

The Board manages its interest rate risk by investing in current and short term 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 2007 due to the short term maturities of these assets and liabilities.

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.

Notes to the Annual Financial Statements

for the year ended 31 March 2007 (continued)

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 at the reporting date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

1.13 Retirement benefits

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

1.14 Comparative figures

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

1.15 Taxation

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

	2006/07	2005/06
	R'000	R'000
2. Revenue		
2.1 Grants, Receipts and Transfers		
National Departments - Department of Trade and Industry	19,645	12,262
Total	19,645	12,262
National Treasury has approved usage of surplus funds of R 2.1 million from the 2005/2006 financial year.		
2.2 Other Income		
Profit on Disposal of Equipment	19	35
Other	35	22
Total	54	57
3. Expenses		
3.1 Amortisation of Intangible Assets		
Computer Software - Licensed	20	13
Total	20	13
3.2 Depreciation		
Furniture and Office Equipment - Owned	32	33
Computer Equipment - Owned	173	203
Vehicles - Owned	35	32
Leased Office Equipment	26	26
Total	267	294
3.3 Auditors' Remuneration		
Audit Fees	297	195
Total	297	195
3.4 Board and executive Members' Remuneration		
Board Members' Remuneration		
Mr CL Fismer	740	719
- Board Allowance	436	414
- Kilometer Claims	-	1
- Infrastructure	304	304
Mr. Fismer received R25 292.75 per month as payment for the use of his premises and facilities to perform duties as the Board's chairperson.		
Ms Moja	342	286
- Board Allowance	277	224
- Kilometer Claims	5	2
- Infrastructure	60	60

Notes to the Annual Financial Statements

for the year ended 31 March 2007 (continued)

	2006/07 R'000	2005/06 R'000
3.4 Board and executive Members' Remuneration (continued)		
In addition to the above-stated remuneration, Mrs. Moja received R5,000 per month as payment for the use of her premises and facilities to perform duties as the Board's vice chairperson.		
Ms LJN Kganyago	107	50
- Board Allowance	102	47
- Kilometer Claims	5	3
Adv TN Aboobaker	71	43
- Board Allowance	69	41
- Kilometer Claims	2	2
Ms N Magomola	4	48
- Board Allowance	4	46
- Kilometer Claims	-	2
Z Mdhlahla	4	-
- Board Allowance	4	-
Chief Executive Officer - Adv TW Majake	1,691	844
- Basic Salary	726	649
- Pension	102	90
- Medical Aid	28	22
- Bonus	97	57
- Leave Encashment	82	26
- Severance Package	656	-
The Chief Executive Officer, Adv.TW Majake, was paid a severance package of R 656 000 based on a mutual agreement reached between himself and the Board in exiting the employment of NGB. His employment contract was still left with 18 months before expiry.		
Chief Financial Officer - ME Ntsowe	487	-
- Basic Salary	429	-
- Pension	58	-
Chief Operations Officer - Mr T Marasha	702	571
- Basic Salary	515	432
- Pension	76	62
- Medical Aid	45	43
- Bonus	43	34
- Leave Encashment	23	-

	2006/07	2005/06
	R'000	R'000
3.4 Board and executive Members' Remuneration (continued)		
Chief Financial Officer - VF Memani-Sedile (resigned in April 2006)	67	659
- Basic Salary	-	529
- Pension	-	71
- Medical Aid	-	17
- Bonus	47	42
- Leave Encashment	20	-
Total Board and Executive Members' Remuneration	4,215	3,220
The following board members resigned:		
Comm. Lebeya (resigned 24 November 2006)		
Ms. Magomola (resigned 11 April 2006)		
Mr. Ramaite (resigned 23 February 2007)		
3.5 Professional and Consulting Fees		
Legal Fees	783	1,080
Research	242	1,165
CEMS	71	47
Internet Gambling	-	541
Other Consulting Fees	414	653
Internal Auditors' Fees	119	271
Probity Investigations for New Appointments	15	3
Audit Committee Fees	53	13
Organisational Structure Review	-	28
Human Resources and Disciplinary Processes	-	63
Miscellaneous	138	3
Total	1,835	3,867
3.6 Personnel Costs		
Salaries, Bonuses and Overtime - excl CEO, CFO & COO	7,215	5,904
Contract and Temporary Staff	370	115
Leave Encashment	122	243
Other Non-pensionable Allowance - Cellphone	237	142
UIF	63	44
Insurance & Administration of the Provident Fund	241	220
Other Salary Related Costs	703	663
Total	8,951	7,331
3.7 Travel and Subsistence		
Travel and Subsistence - Local	794	634
Travel and Subsistence - Overseas	1,422	1,024
Total	2,216	1,658

Notes to the Annual Financial Statements

for the year ended 31 March 2007 (continued)

	2006/07	2005/06
	R'000	R'000
3.8 Other Operating Expenses		
Communication costs	153	165
Conference, Forum, and Workshop expenses	673	253
Administrative Expenses	314	444
Maintenance, Repairs and Running costs	97	29
Other	333	127
Total	1,570	1,018
3.9 Operating Lease		
Current year		
Premises	1,223	1,781
Total	1,223	1,781
The future minimum lease payments under non-cancellable operating leases for the Board's offices are as follows:		
Within 1 year	828	1,035
1 to 5 years	4,140	4,795
Thereafter	12,420	19,276
Total	17,388	25,106
3.10 Finance Charges		
Interest Paid - Finance Lease	19	19
Total	19	19
4. Interest Income		
Bank Deposits - ABSA and Corporation for Public Deposits	249	371
Total	249	371
5. Accounts Receivable and Prepayments		
Accrued Interest	-	-
Deposits and Payments in Advance	63	659
Other Receivables	44	62
Total	107	721

6. Property, Plant and Equipment	Office Equipment	Furniture & Office Equipment	Computer Equipment	Motor Vehicles	Total
	R'000	R'000	R'000	R'000	R'000
Year Ended 31 March 2006					
Net Book Value 1 April 2005	120	86	399	-	605
Cost or Valuation	129	311	998	68	1,506
Accumulated Depreciation	(9)	(225)	(599)	(68)	(901)
Additions	-	22	132	173	327
Disposals	-	(11)	(15)	-	(26)
Cost or Valuation	-	(47)	(165)	(68)	(280)
Accumulated Depreciation	-	36	150	68	254
Depreciation Charge	(26)	(33)	(203)	(32)	(294)
Cost of Valuation	129	286	965	173	1,553
Accumulated Depreciation	(35)	(222)	(652)	(32)	(941)
Net Carrying Amount 31 March 2006	94	64	313	141	612
Year Ended 31 March 2007					
Net Book Value 1 April 2006	94	64	313	141	612
Cost at beginning of Year	129	286	965	173	1,553
Accumulated Depreciation	(35)	(222)	(652)	(32)	(941)
Additions	-	-	57	-	57
Disposals	-	-	(2)	-	(2)
Cost of Valuation	-	-	(12)	-	(12)
Accumulated Depreciation	-	-	10	-	10
Depreciation Charge	(26)	(32)	(174)	(35)	(267)
Cost of Valuation	129	286	1,010	173	1,598
Accumulated Depreciation	(61)	(254)	(815)	(67)	(1,197)
Net Carrying Amount 31 March 2007	68	32	195	106	401

Notes to the Annual Financial Statements

for the year ended 31 March 2007 (continued)

7. Intangible Assets	Internally Generated R'000	Computer Software - Licenced R'000	Total R'000
Year Ended 31/3/2006			
Net Book Value 1 April 2005	1,636	16	1,652
Cost or Valuation	1,636	246	1,882
Accumulated Amortisation	-	(230)	(230)
Additions	-	15	15
Disposals	-	-	-
Cost or Valuation	-	104	104
Accumulated Amortisation	-	(104)	(104)
Amortisation	-	(13)	(13)
Cost or Valuation	1,636	157	1,793
Accumulated Amortisation	-	(139)	(139)
Net Carrying Amount 31 March 2006	1,636	18	1,654
Year Ended 31/3/2007			
Net Book Value 1 April 2006	1,636	18	1,654
Cost or Valuation	1,636	157	1,793
Accumulated Amortisation	-	(139)	(139)
Additions	800	108	908
Amortisation	-	(20)	(20)
Cost or Valuation	2,436	265	2,701
Accumulated Amortisation	-	(159)	(159)
Net Carrying Amount 31 March 2007	2,436	106	2,542

	2006/07	2005/06
	R'000	R'000
8. Cash and Cash Equivalents		
Cash and Cash Equivalents comprise cash and short-term, highly liquid investments that are held with registered banking institutions with maturities of three months or less which are subject to insignificant interest rate risk.		
Cash and Cash Equivalents		
Cash at Bank	103	37
Cash on Hand	4	2
Short-term Investments	3,217	3,060
Total	3,324	3,099
9. Trade and Other Payables		
Trade Creditors and Accruals	1,945	1,613
Total	1,945	1,613
10. Finance Lease Commitments		
The Board is leasing a photocopier on a finance lease and there is no restrictions imposed on the Board in terms of this lease.		
The obligation under the finance lease is secured by the lessor's title to the leased asset.		
Total Future Lease Payments	118	163
Future Finance Charges	(49)	(69)
	69	94
Up to 1 year	26	26
2 to 5 years	43	68
Present Value	69	94

11. Provisions	Performance			
	Bonusses	Leave Pay	Legal Costs	Total
	R'000	R'000	R'000	R'000
Opening Balance - 01 April 2005	-	207	45	252
Additional Provisions and Adjustments	537	55	(45)	547
Utilisation of Provision	-	-	-	-
Closing Balance - 31 March 2006	537	262	-	799
Opening Balance - 01 April 2006	537	262	-	799
Additional Provisions and Adjustments	1,094	806	-	1,900
Utilisation of Provision	(537)	(718)	-	(1,255)
Closing Balance - 31 March 2007	1,094	350	-	1,444

Notes to the Annual Financial Statements

for the year ended 31 March 2007 (continued)

	2006/07	2005/06
	R'000	R'000
11. Provisions (continued)		
The leave pay provision relates to an estimation of the liability that arises from services rendered by employees and is calculated at current salary rates.		
Leave encashed was R 248 634.46, while leave taken amounted to R469 284.61		
12. Net Cash From Operating Activities		
(Deficit) / Surplus	(665)	(6,706)
Non-cash Movements		
Depreciation	267	294
Amortisation: Computer software	20	13
Increase in payables	332	578
Increase in Provisions relating to employees costs	646	592
Gains on Sale of Property, Plant and Equipment	(19)	(35)
(Increase) / Decrease in Receivables	614	(278)
	1,195	(5,542)
13. Related Parties		
The Board entered into the following transactions with related parties:		
(a) Department of Trade and Industry (the dti)		
Grant Received from the dti	19,645	12,262
Payment to the dti for the financial year		
Office Rental (April & May only 2006/07)	175	1,770
Diginet Line	35	23
Telephone	88	90
Parking	-	19
(b) SARS		
Payment to SARS during the financial year	2,126	1,895
Amount owing to SARS at the end of the financial year	3	1
14. Losses		
Other Losses Written Off		
Total	22	21
2007	22	21
Normal operating losses totalling R21,934 were written off during the year under review.		

2006/07

2005/06

R'000

R'000

15. Going Concern

The dti has approved a budget of R18,855m, R17,274m and R 18,371m for the Board's budget for 2008; 2009 and 2010 financial years respectively.

For the past three financial years the Board has incurred deficits as indicated in the Statement of financial performance, however such deficits were due to the fact that granted approval to utilize retained funds from the prior years was not accounted as revenue for the current year, though treasury approval was obtained before incurring such expenses.

In order to curb the impact of reduced budget management have embarked on cost saving measures applicable in 2007/08 financial year. These includes flying economy class, holding most meetings at the Board's premises rather than alternative venues and delay in filling non critical vacant positions.

16. Material Losses Through Criminal Conduct

No losses were incurred as a result of a criminal conduct during the year under review.

17. Unauthorised Expenditure

No unauthorised expenditure occurred during the year

18. Irregular, Fruitless and Wasteful Expenditure

Irregular expenditure arose as a result of leases being entered into where substantially all the risks and rewards incidental to ownership were transferred to the Board.

This is synonymous with the definition of a finance lease as defined in South African Statements of Generally Accepted Accounting Practice IAS17 - Leases and Treasury Regulation 32.2.2.

NGB did not enter into a finance lease under National Treasury Contracts.

Meaning the lease on the photocopier is not covered by the blanket approval granted by National treasury in terms of Practice note No 5. The Board intends to submit a special application to Treasury to grant approval to this irregular expenditure.

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Notes to the Annual Financial Statements

for the year ended 31 March 2007 (continued)

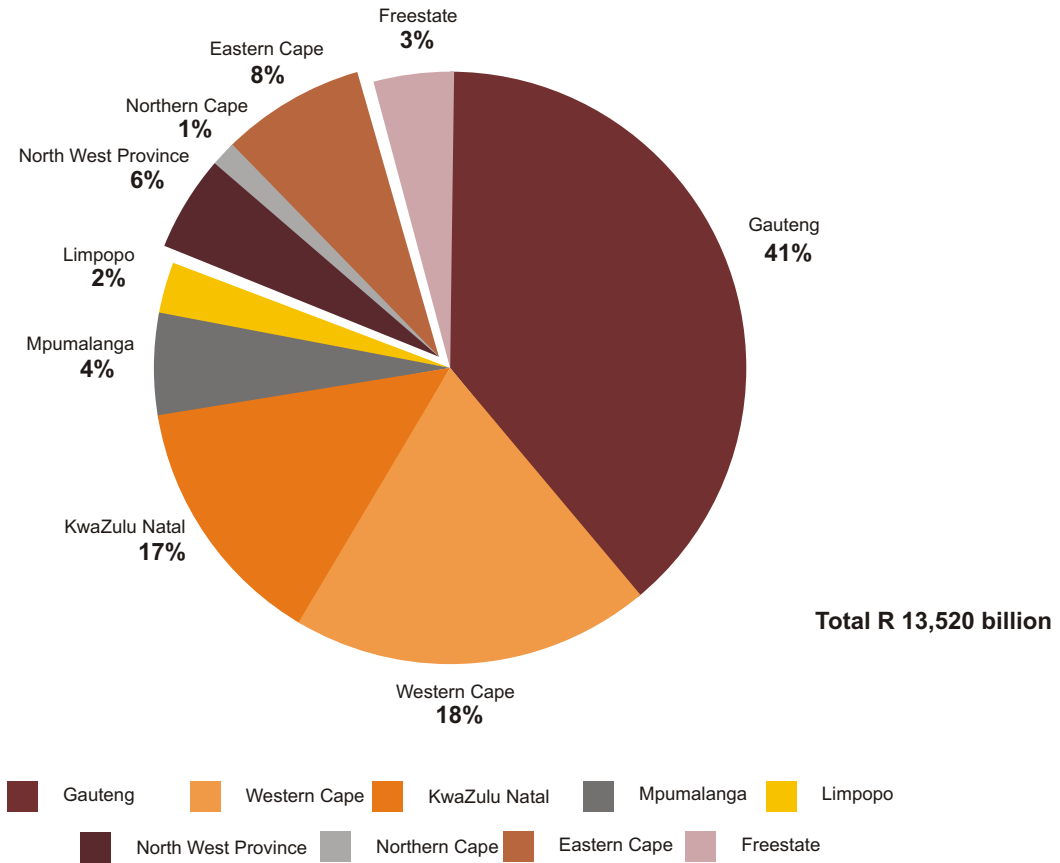
19. Criminal or Disciplinary Actions

No criminal or disciplinary steps were taken as a result of losses through criminal conduct, unauthorized expenditure, irregular expenditure, or fruitless and wasteful expenditure since none of these losses were incurred

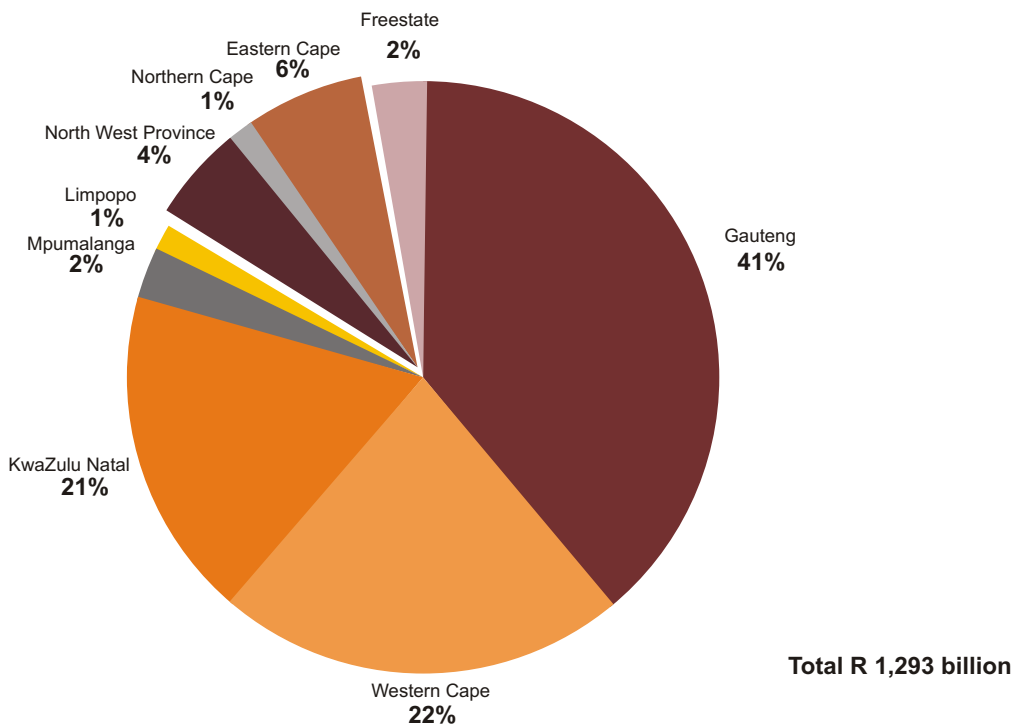
20. Changes to the Accounting Policies

No changes to the accounting policies were made during the year under review.

GGR per Province - F2007



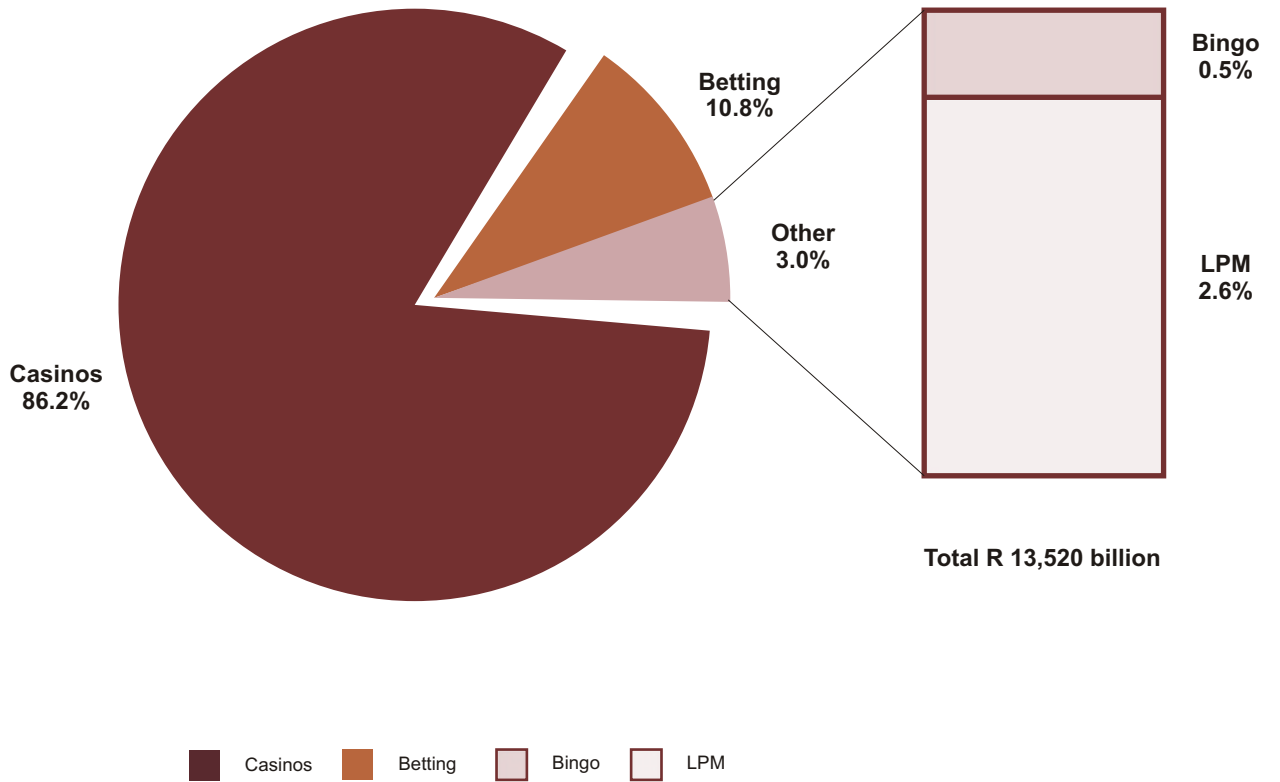
Tax/levies Contribution per Province - F2007



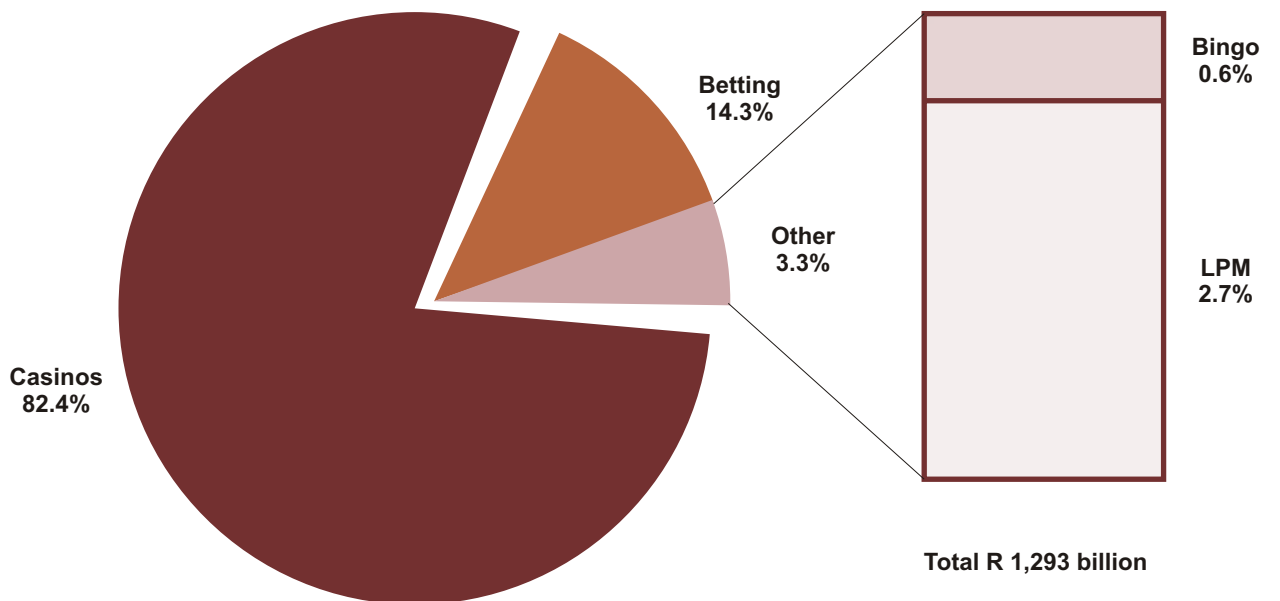
Statistics

for the year ended 31 March 2007 (continued)

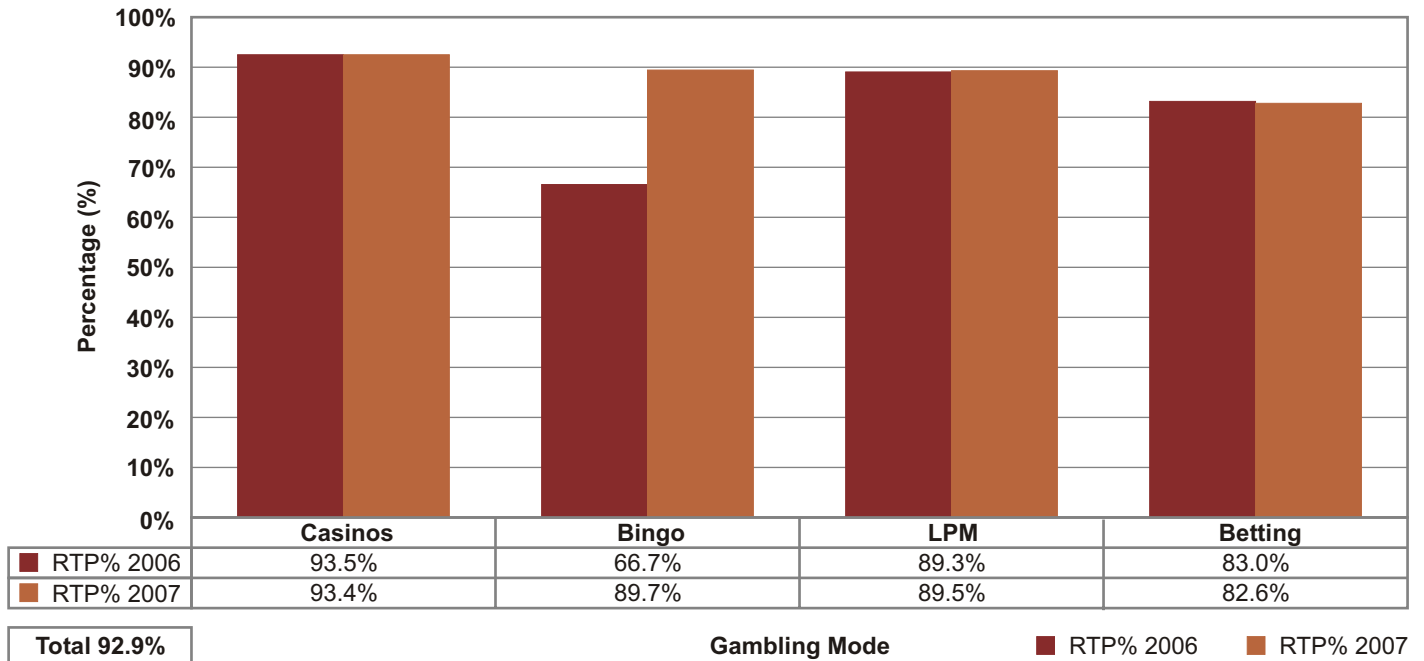
GGR per Gambling Mode - F2007



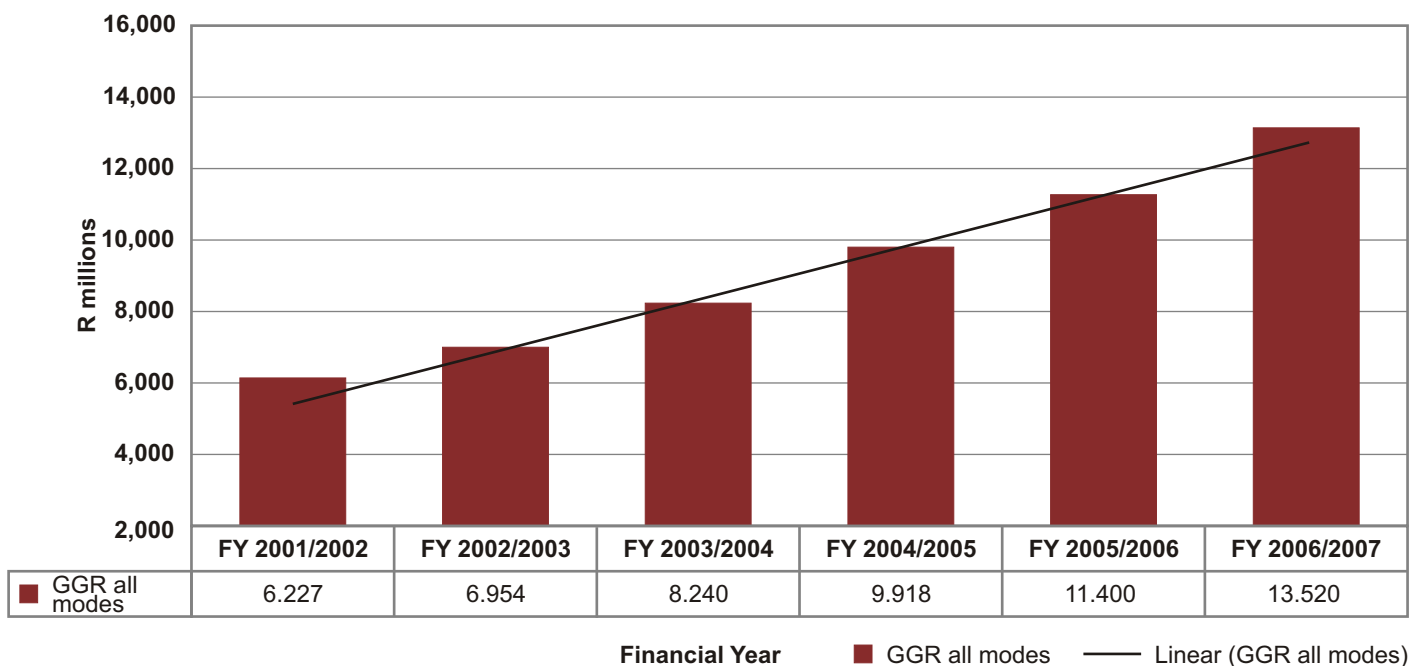
Tax/levies Contribution per Gambling Mode - F2007



Percentage of RTP per Gambling Mode - F2007



Increase in Gambling Activities - F2007



Casinos in the Republic of South Africa

Casinos in South Africa

Province	Area	Location	Name of Resort	Date Opened	Casino Operator	Management Company	Total Capital Investment (R)	Temporary or Pending Casinos		Current Status Mar-07		
								Slots	Tables			
1 Eastern Cape	Zone 1	Port Elizabeth	The Boardwalk	Oct-00	Emfuleni Resort	Sun International	454,000,000	779	21	Permanent casino - Feb 01		
	Zone 2	East London	Hemlingways Casino	Sep-01	Tsogo Sun Emonti	Tsogo Sun Management Co.	222,000,000	400	12	Permanent casino - Mar 02		
3 Eastern Cape	Zone 3	Queenstown								No licence issued		
4 Eastern Cape	Zone 4	Umtata								No licence issued		
5 Eastern Cape	Zone 5	Bizana	Wild Coast Sun	Dec-81	Transkei Sun Int.	Sun International	373,000,000	438	14	Existing operator - opened Dec 81. New licence issued Oct 99		
6 Free State	Zone 1	Southern Region (Bloemfontein)	Naledi Sun	May-89	Sun International	Sun International	135,000,000	188	0	Permanent casino - May 89		
	Zone 2	Southern Region (Bloemfontein)	Windmill Casino	Oct-05	Mangung Sun (Pty)Ltd	Sun International	160,000,000	193	8	Permanent casino - Oct 05		
8 Free State	Zone 2	Welkom	Goldfields Casino & Entertainment Centre	Dec-05	Goldfields Casino & Entertainment C	GoldReef Management	157,800,000	226	6	Temporary Casino - May 03 - Expansion to be completed in Sept. 06		
9 Free State	Zone 3	Eastern Region (Bethlehem)	Frontier Inn & Casino Bethlehem	Nov-06	Peermont Global (Eastern FS)	Peermont Global Management	103,000,000	120	08	17	250 Permanent casino - May 03 - Opened Nov 06	
	10 Gauteng	Fourways	Montecasino	Sep-98	Tsogo Sun Casinos	Tsogo Sun Management Co.	1,917,000,000	1700	70	Permanent casino - Nov 00		
11 Gauteng		Golf Reef City	Gold Reef City	Nov-98	Akani Egoli	Akani Egoli Management	1,557,000,000	1600	50	Permanent casino - Mar 00		
12 Gauteng		Vanderbijlpark	Emerald Safari Resort	Dec-98	Emerald Casino	London Clubs Int.	445,363,836	660	23	Permanent casino - May 01		
13 Gauteng		Kempson Park	Emperors Palace	Nov-98	Peermont Global (East Rand)	Peermont Global Management	1,240,000,000	1500	50	1640	67 Permanent casino - Nov 2000	
14 Gauteng		Brakpan	Carnival City	Dec-98	Afiscun Gauteng	Sun International	964,000,000	1750	60	Permanent casino - Oct 99		
15 Gauteng		Mabopane	Morula Sun	Jun-87	Sun International	Sun International	617,000,000	507	11	Existing operator		
16 Gauteng		West Rand			Silver Star Development Ltd					Licence awarded pending issuance by the Gauteng Gambling Board		
17 KwaZulu-Natal	Zone 1	Greater Durban (Village Green)	Suncoast Casino & Entertainment	Nov-02	Tsogo Sun KZN	Tsogo Sun Management Co.	1,400,000,000	1250	50	Temporary casino - Nov 02		
	Zone 2	North Durban (Mt Edgecombe)	Sibaya Resorts	Feb-01	Afiscun KZN	Sun International	10,565,000,000	983	37	Temporary casino - Feb 01 (SugarMill) Temp Licence (Sibaya) Await Lodge		
19 KwaZulu-Natal	Zone 2	North Coast (Empangeni)	Tusk Umfolozi Casino	May-02	Emanzini Leisure Resorts	Tusk Casino & Hotel Management	81,300,000	300	10	-	Temporary casino - May 02 - Recently purchased by Peermont Global Limited	
20 KwaZulu-Natal	Zone 3	Northern Natal (Newcastle)	Century Casino Newcastle	Sep-99	Century Casino Newcastle (Pty) Ltd	Century Casinos Africa	154,000,000	200	7	250	7	Temporary casino Sept 1999 - Permanent Opening in December 2006
21 KwaZulu-Natal	Zone 4	Natal Midlands (Pietermaritzburg)	Golden Horse Casino	Sep-01	Akani Msunduzi	Akani Msunduzi	245,800,000	364	16	Permanent casino - Sept 01		
22 Mpumalanga	Zone 1	Witbank	Champions Casino	Mar-98	Tsogo Sun Casinos	Tsogo Sun Management Co.	205,000,000	360	12	Permanent casino - Sept 02		
23 Mpumalanga	Zone 2	Secunda	Graceland Hotel, Casino & Country Club	Oct-97	Peermont Global (SH)	Peermont Global Management	249,000,000	378	16	Permanent casino - July 98		
24 Mpumalanga	Zone 3	Nelspruit	Emmotwen Casino	Oct-97	Tsogo Sun Casinos	Tsogo Sun Management Co.	170,000,000	303	11	Permanent casino - Nov 99		
25 Mpumalanga	Zone 4	Pietermaritzburg/Bushbuck								No licence issued		
26 Limpopo		Potokwane (Pietersburg)	Meropa Casino & Entertainment World	Mar-05	Meropa Leisure and Entertainment	Sun International	1,821,000,000	293	15	Permanent casino - Mar 02		
27 Limpopo		Thohoyandou	Tusk Venda Casino Hotel	Jul-85	Tusk Resorts	Tusk Casino & Hotel Management B	81,900,000	-	123	6	Recently purchased by Peermont Global Limited	
28 Northern Cape		Kimberley	Flamingo	Mar-02	Teemane	Sun International	1,281,000,000	225	9	Permanent casino - Mar 02		
30 Northern Cape		Upington	Desert Palace Hotel Resort	Jun-00	Desert Palace	Northern Cape Casino consultants (Pty) Ltd	50,000,000	145	7	Permanent Casino - May 2005		
31 Northern Cape		Kruman								No licence issued		
32 North West		Mmabatho	Tusk Mmabatho Casino Resort	Dec-78	Tusk Resorts	Tusk Casino & Hotel Management B	217,100,000	-	155	8	Recently purchased by Peermont Global Limited	
33 North West		Pietersburg	Sun City	Dec-79	Sun International	Sun International	5,025,000,000	599	38	Existing operator		
34 North West		Klerksdorp	Tusk Rio Casino Resort	Sep-04	Tusk Resorts	Tusk Casino & Hotel Management B	80,000,000	255	11	-	Recently purchased by Peermont Global Limited	
35 North West		Hammanskraal	Carousel	Nov-91	Sun International	Sun Inter. Management	765,000,000	693	15	Existing operation		
36 Western Cape	Zone 1	Cape Metropole (Goodwood)	GrandWest	Dec-00	Sun West Int.	Sun International	15,522,000,000	2500	70	Permanent casino - Dec 00		
37 Western Cape	Zone 2	Southern Cape (Mossel Bay)	Garden Route Casino	Dec-02	Garden Route Casino	Gold Reef Management	143,000,000	450	16	Permanent casino - Dec 02		
38 Western Cape	Zone 3	Breede River	Worcester	Nov-06	Worcester Casino (Pty) Ltd	Sun International	150,000,000	200	0	Permanent casino - Nov 06		
39 Western Cape	Zone 4	Overberg	The Caledon Hotel, Spa & Casino	Oct-00	Century Casinos Caledon (Pty)(Ltd)	Century Casino Inc	138,390,858	358	5	Permanent casino - Oct 00		
40 Western Cape	Zone 5	West Coast	Club Mykonos	Nov-00	West Coast Leisure	Gold Reef Management	76,300,000	270	9	Permanent casino - Oct 00		
Total							46,765,954,684	2,753	94	19,997	839	
SUMMARY												
Casinos Operating							45,222,954,684	2,753	94	18,297	873	
Casinos Not Operating							1,543,000,000	0	0	1,700	66	
Total							46,765,954,684	2,753	94	19,997	939	
CASINOS							TOTAL	TEMP.	PERM.			
Operating							34	5	29			
Not Operating							1					
Not Yet Licensed							5					
Total							40					
Slots (Temporary or Pending)							2,753					
Slots (Permanent)							18,297					
Total							21,050					
Tables (Temporary or Pending)							94					
Tables (Permanent)							873					
Total							967					

■ Casinos Currently Operating
Effective Date: 31 March 2007

Illegal Gambling Statistics

Provincial Licensing Authority	KZN	Gauteng	Free State	North West	Northern Cape	Limpopo	Eastern Cape	Western Cape	Mpumalanga	Total
Number of raids/closure	44	92	15	2	6	311	0	17	20	507
Number of raids (fahfee)	0	0	0	0	0	243	4	0	0	247
Confiscated gambling machines	111	332	50	80	92	29	20	100	19	833
Confiscated gambling tables	0	0	0	0	0	0	0	0	0	0
Confiscated computer devices	0	0	0	0	2	11	0	0	0	13
Case convictions	7	3	1	0	0	25	16	0	0	52
Acquittals	0	0	0	0	0	6	0	0	0	6
Admission of guilt	34	86	21	0	1	65	9	11	1	228
Withdrawals	0	1	0	0	1	4	6	4	0	16
Forfeited gambling machines	111	233	43	48	2	0	106	78	2	623
Forfeited gambling tables	0	0	0	0	0	0	0	0	0	0
Forfeited computer devices	0	0	0	0	0	0	0	0	0	0
Returned gambling machines	0	78	0	70	17	0	0	0	0	165
Returned gambling tables	0	0	0	0	0	0	0	0	0	0
Returned computer devices	0	0	0	0	1	0	0	0	0	1
Destroyed gambling machine	262	0	252	0	0	0	0	135	11	660
Destroyed gambling tables	0	0	20	0	0	0	0	0	0	20

NCB

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Emily Ntsowe

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National
Gambling Board

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