

# MISSION *Statement*

IT IS THE MISSION OF THE NATIONAL GAMBLING BOARD TO ENSURE THAT THE VIABILITY, SUSTAINABILITY AND INTEGRITY OF THE GAMBLING INDUSTRY IN SOUTH AFRICA IS ATTAINED AND MAINTAINED.

THIS WILL BE ACHIEVED BY:

- ENSURING THAT THE LEGISLATION OF BOTH NATIONAL AND PROVINCIAL GOVERNMENTS IS GUIDED BY THE SAME VISION AND PRINCIPLES.
- ENSURING THAT THE RIGHTS OF THE OPERATORS IN THE INDUSTRY AND THOSE OF THE PUBLIC ARE PROTECTED BY, FOR INSTANCE, AVOIDING OVER-STIMULATION OF GAMBLING, WHICH CAN RESULT IN HABITUAL GAMBLERS WITH NEGATIVE EFFECTS TO SOCIETY.
- PROVIDING ADVICE, FACILITATING AND ESTABLISHING GUIDELINES TO ENSURE STANDARDISATION AND UNIFORMITY WITHIN THE BROAD REGULATORY ENVIRONMENT.



NATIONAL GAMBLING BOARD  
ANNUAL REPORT 2002

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## Chairperson's Report

It is with great pleasure to report on further strides the National Gambling Board (the Board) made in the past twelve months.

One of the main objectives of the Board is to set and promote national norms and standards for the South African gambling industry. This can only be achieved if all gambling regulatory bodies pull in the same direction.

To ensure co-operative government in this industry, we should adhere to the letter and spirit of the supreme law of the land, our Constitution. The decision of the Constitutional Court in December 2001 in the matter between the Board, the Premier of KwaZulu-Natal and KwaZulu-Natal (KZN) Gambling Board, again reminded us of this non-negotiable requirement of our Constitution. The court ordered the KZN Premier and the Minister of Trade and Industry, Mr Alec Erwin, to comply with their constitutional obligation of co-operative government as contemplated in terms of section 41 of the Constitution.

The CEO's Forum - a forum which brings together Chief Executive Officers of all provincial licensing authorities (PLAs) under the chairmanship of Board CEO, Mr Sfiso Buthelezi - has added a lot of value and helped the process of co-operative government.

Other forums that have contributed to this objective are the following: Legal Compliance Forum, Horseracing and Betting Forum, Law Enforcement Forum as well as the Limited Payout Machines Industry Forum.

Promotion of responsible gambling remains one of our priorities. Last year we hailed the birth of the South African Advisory Council on Responsible Gambling (SAACREG), a body comprising gambling industry operators and regulators. Flowing from SAACREG, the South African Responsible Gambling Trust (SARGT) was established in 2002. The Trust's primary objective is to manage, on behalf of SAACREG, all programmes of the National Responsible Gambling Programme (NRGP), a casino-led responsible gambling initiative.

The Board also continued the process of setting up the necessary systems to pave way for the limited payout machines (LPMs) industry and appointed Zonke Monitoring Systems (Pty) Ltd as the operator of a central electronic monitoring system (CEMS) for LPMs. We pride ourselves on the integrity with which the bidding and selection process was conducted.



Chris Fismer  
Chairperson

The CEMS aims to record and monitor all transactions and significant events associated with linked LPMs throughout the country. We are looking forward to the day when the CEMS will go live. The LPM industry will afford small businesses a chance to participate in the gambling industry. Black Economic Empowerment (BEE) also stands to benefit from the LPM industry and we hope that licensing of route and site operators will soon take off.

Illegal gambling operation is an international scourge and should be removed from the face of the South African jurisdiction. This report period saw the continued successful fight against illegal gambling operators through co-operation among the Board, PLAs and South African law enforcement agencies.

The KwaZulu-Natal Provincial Prosecuting Director and the South African Police Services (SAPS) deserve special mention. Their commitment led to the successful prosecution of a number of illegal gambling operators and a dramatic decrease in this illicit activity.

The coming year is again going to be challenging for the Board. More norms and standards should be formalised through regulations. It is my desire to see, among others, the promulgation of regulations on horseracing and Internet gambling. We anticipate that a new National Gambling Act will be passed to facilitate effective and efficient regulation of the gambling industry.

We would like to intensify the education of the public about responsible gambling. Research on the Economic Impact of Gambling in South Africa since 1994 is under way. Findings of this study will add a further scientific basis for policy formulation on a national level.

I would like to take this opportunity to thank Minister Erwin and his Department officials, as well as the Trade and Industry Parliamentary Portfolio Committee, for their leadership and support. In addition, I would like to extend my gratitude to the Board for the support given to me as the Chairperson.

Finally, my appreciation also goes to the Board's CEO and his staff for ensuring that we carry out the Board's mandate efficiently and effectively.

Chris Fismer  
Chairperson

# Chief Executive Officer's Report

## Introduction

After seven years of legalised gambling activity, the South African gambling industry seems to be reaching a plateau. A picture of this industry's general trends and its effects on the economy and society is beginning to emerge.

Where the picture is still blurred, research is being undertaken to help the Board make informed decisions. The year under review saw the following highlights.

## Public Finance Management Act (PFMA)

The Board was listed as a Schedule 3A public entity on 1 April 2001. This necessitated a comprehensive implementation programme to ensure that the Board complied with the provisions of the Public Finance Management Act and the Treasury Regulations issued thereunder. Proof of our success in this regard is reflected in the clean report issued by the Auditor-General in respect of the year under review.

It is the belief of the Board that good corporate governance is the backbone of any organisation. The Board therefore upholds high standards of corporate governance as it carries out its mandate and continues to adhere to the best practices of corporate governance.

## Board Chairperson appointed to top IAGR position

In January 2002 Board Chairperson Mr Chris Fismer was appointed Deputy Chairman of the International Association of Gaming Regulators (IAGR). This appointment signified the international gaming community's vote of confidence in the progress that South Africa has made in gambling regulation within a short space of time, as well as South Africa's contribution in other international conferences and forums.

Mr Fismer is the first individual from "developing countries" to hold such a senior position in IAGR since its inception. He is an authority on gambling matters and has been involved with the process of legalised gambling in SA from the onset.



Sfiso Buthelezi  
Chief Executive Officer

## Responsible Gambling

One of the challenges faced by all gambling jurisdictions 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 enhancement of BEE, individuals need to be educated about the negative effects of gambling.

The Board faced the vital and critical task of developing a comprehensive programme to address the negative effects of gambling and encourage gambling in a responsible manner.

The Board began this campaign early in 2001 by spearheading the establishment of the South African Advisory Council on Responsible Gambling (SAACREG). The 24-member SAACREG is representative of all gambling industry stakeholders, namely: regulators, operators, manufacturers and civil society. This collaboration between regulators and the private sector in promoting responsible gambling is a world first.

The initiative has been lauded by reputable jurisdictions such as the United Kingdom (UK). The Budd Commission, which investigated the review of gambling in the UK last year recommended a similar voluntary public-private sector approach for the promotion of responsible gambling in that country.

Promotion of responsible gambling protects not only society, but a country's economy as well, against the negative impact of gambling. In South Africa this task is executed with SAACREG's support.

SAACREG has established five committees to thoroughly investigate each aspect of responsible gambling.

## National Responsible Gambling Programme (NRGP)

The National Responsible Gambling Programme (NRGP) is a casino industry initiative aimed at promoting responsible gambling and treating problem gamblers.

The NRGP has been the only operational comprehensive programme in the country that incorporates problem gambling research, education and training, counselling and treatment.



## *Chief Executive Officer's Report*

To ensure ownership of the programme by all stakeholders, SAACREG and NRGP representatives agreed to integrate the NRGP with SAACREG objectives. In this regard, 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 the Republic.

Early in 2002 the elected trustees of the SARGT signed a Deed of Donation and Trust to ensure transition and change of ownership of the NRGP from the casino industry to the gambling fraternity.

The Board, through SAACREG, will continue to advise regulators on appropriate measures and to implement recommended strategies in order to address problem gambling.

### **Research**

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The Board during the year decided to conduct a study on the economic impact of gambling in South Africa.

The tender for the research on the Economic Impact of Legalised Gambling Activities in South Africa since 1994 was awarded to a consortium consisting of the Bureau of Market Research and Khalulu Marketing Consulting.

In a nutshell, the study seeks to establish the direct and indirect economic contribution of legalised gambling in the country, such as contribution to Gross Domestic Product (GDP), Gross Provincial Product (GPP), employment creation, foreign investment in this sector, BEE and Small Micro and Medium Enterprises (SMME). It will also focus on the effects of legalised gambling on society by looking at consumer spending patterns and the effect of gambling on household expenditure displacement.

Comparisons of the South African experience with similar countries in respect of GDP growth and development of the gambling industry will also be done.

The results of this study in South Africa will aid the Board in understanding the dynamics of gambling in South Africa and in making informed strategic decisions. This will also help the government to come up with policies to enhance efficiency and effectiveness of regulation.

A complete report on the study will be available before the end of the year.

### **National Gambling Statistics Database**

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During the reporting year, the Board continued its drive to formulate a comprehensive user-friendly South African gambling statistics database. This information will go a long way towards keeping the public and stakeholders informed on financial and operational gambling data in the country.

Quarterly statistics for the financial year ended 31 March 2002 were collected from PLAs. The Board is in the process of analysing the submitted data and will publish comparative and trend analyses obtained from this data.

### **Horseracing**

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The South African horseracing industry continued its rocky ride. One of the country's two biggest horseracing operators, Phumelela Gaming and Leisure Limited, closed Gosforth Park Race Course in Germiston in an attempt to right-size its business. During this reporting period the Limpopo province reduced its totalisator tax rate from 9% of turnover to 35% of turnover, bringing it in line with Gauteng province's rate.

Tax reduction negotiations continued with Mpumalanga Province and its province's horseracing operators. Mpumalanga had previously agreed to a tax reduction, but this was awaiting their provincial legislature's approval.

The North West Province, which for many years collected little or no betting taxes, is in the process of introducing amendments to its gambling legislation, which will result in a new tax rate for horseracing.

The Board is in negotiations with the Jockey Club of Southern Africa, the "self regulatory" authority overseeing horseracing within the Republic, trying to find ways to bring the regulation of this industry in line with other forms of gambling. We hope to find a mutually acceptable way of dealing with this challenge.

During this review period, the bookmakers' Wagering Record-keeping Systems, SABS I718-4, was finalised. This will become the new technical specification for all computerised bookmakers' wagering systems in the country and will be phased in for use by all provinces.



## *Chief Executive Officer's Report*

### **Internet Gambling**

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Unforeseen hurdles have delayed the long-awaited process of legalising and regulating Internet gambling in South Africa. One of the main reasons for this delay is the review of the National Gambling Act, 1996 that was started by the Department of Trade and Industry in the last quarter of the report year.

In 1999, Minister Erwin tasked the Board to investigate legalisation of Internet gambling in the country. In October 1999, the Board hosted an Internet conference to solicit the views of stakeholders on the subject. The sixty-plus stakeholders who attended were in favour of legalisation and regulation of Internet gambling in South Africa.

In February 2000, the Board recommended the legalisation and regulation of Internet gambling in South Africa. The Board reiterated this recommendation to Minmec (a body comprising Minister Erwin and Provincial MECs responsible for gambling). In October of the same year a decision was taken by Minmec that the Board should present a national regulatory framework on Internet gambling for their consideration.

During the report year, the Board appointed Global Gaming Services-Australia (GGS-AU) to develop an appropriate draft legislative framework for Internet gambling and prepare a set of draft regulations on interactive gambling.

The Board and GGS-AU completed the legislative framework and policy paper for Internet gambling and presented these to the Minister of Trade and Industry. GGS-AU recommended, among other things, that the regulation of Internet gambling be a national responsibility.

Minister Erwin initiated a process of including an enabling clause in the amendments of the National Gambling Act to allow the Board to regulate Internet Gambling. During the South African National Gambling Conference held in Sun City early in 2002, the Minister referred to Internet Gambling regulation as a national competence. The Minister further confirmed that some aspects of the country's gambling legislation would be reviewed in order to create uniformity and efficiency in legislation. He said this would be done by the end of 2002.

### **Central Electronic Monitoring System and Limited Payout Machines (LPMs)**

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When the National Gambling Act, 1996 was promulgated, another gambling mode was provided for, viz. gambling machines outside casinos, known as limited payout machines (LPMs).

This form of gambling is aimed at empowering small businesses and promoting BEE by allowing LPMs in places such as taverns, bars and other small business outlets. LMP gambling would be properly regulated to prevent destructive competition to other forms of gambling and to guard against over-stimulation of gambling. LPMs offer a limited payout of R500 and a limited wager of R5, with no provision for linked jackpots.

The Act allows for 50 000 LPMs countrywide. The regulations provide for two categories of business sites in this sector. The first will be allowed a maximum of five LPMs per site. The second can operate six up to 40 LPMs on good cause shown.

For these machines to operate, a legal framework had to be established through regulations. One of the regulatory requirements for LPMs is that all these machines should be linked to a single central electronic monitoring system (CEMS). In April 2001 the Board appointed Zonke Monitoring Systems (Pty) Ltd to provide and operate the CEMS on behalf on the Board.

The KwaZulu-Natal Gambling Board opted not to connect to the CEMS, which has a capacity to link all the 50 000 LPMs catered for by the Act. In November 2001 the Board applied to the Constitutional Court to stop the KZN Gambling Board from having its own monitoring system.

The Constitutional Court ruled that both parties had not satisfactorily complied with the requirements of section 41 of the Constitution, which stipulates that organs of the state should exhaust every avenue of dispute resolution before taking a matter to court.

The court found no relevance in interpreting the legislative powers of the national and provincial gambling Acts, or in considering the commercial and regulatory merits of a provincial versus national monitoring system.

At the end of the report year a meeting was awaited between the KZN Premier and Minister Erwin to resolve this matter amicably.

The Board continues to engage the PLAs and prospective industry operators to determine ways of speeding up the process of licensing LPMs and finding amicable solutions to disagreements.

Following on last year's awarding of the CEMS contract, the Board and Zonke Monitoring Systems signed a service level contract (SLC) in December 2001.

Prospective investors in this industry are waiting for the PLAs to either finalise their LPM policies or call for applications for licences.



## *Chief Executive Officer's Report*

Certification of the CEMS by the South African Bureau of Standards (SABS) is also pending. The Board has been working with the SABS to finalise this process.

### **Illegal Gambling**

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While the Board acknowledges that the arrest of illegal gambling operators and the confiscation of illegal gambling machines remain primarily a provincial responsibility, it is obvious that illegal gambling knows no provincial borders. To fulfil its mandate as expressed in the National Gambling Act, the Board, in 1999, launched a campaign against illegal operations through co-operation with the National Directorate of Public Prosecutions and the South African Police Services.

During the report period, the Board continued its co-operation with PLA inspectors and South African law enforcement agencies.

In June last year the National Gambling Board, KZN gambling unit of the SAPS, the Directorate of Special Operations as well as the Assets Forfeiture Unit, collaborated in the arrest of one of the biggest illegal gambling operators in the country. At the end of the report year the case was nearing its completion.

As reflected in the performance report on page 12 to 16 the Board, in collaboration with the law-enforcers, achieved significant successes.

### **Conference**

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One of the permanent items at the top of the Board's agenda is promotion of dialogue within the South African gambling industry operators and regulators. This enhances understanding of one another's operations and bodes well for effective regulation. To facilitate this, the Board decided to host its second gambling conference.

This would be a follow-up to a similar conference that the Board held in 2000.

By the end of the report period preparations for the conference were at an advanced stage. The conference was scheduled to be held at Sun City on 18 - 19 April 2002. The Board had budgeted for about 350 local and international delegates.

Three international speakers and 12 local speakers were expected to attend. All three international speakers accepted the National Gambling Board's invitation to speak at the conference - Mr Leta Mosienyane, the Chairman of the Botswana Gaming and Betting Board, on the topic of the evolution of gambling in the rest of the African continent; Mr Steve Toneguzzo, President of Global Gaming Services, to address the conference on the international perspective on Internet Gambling, and, Mr Peter Dean, Chairman of the Gaming Board of Great Britain and IAGR, to give an international overview of gambling.

The Board expects this conference to continue its tradition as a biennial event and hopes to develop this conference's stature to put it on the "not to miss" international gambling conferences list with comprehensive issues, constructive debate as well as co-operation in adopting plausible recommendations.

### **Conclusion**

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The coming year promises to see a number of projects and operations come to fruition. The review of the National Gambling Act and its implications is being awaited with bated breath and will no doubt form a major part of our 2003 annual report.

**Sfiso Buthelezi**  
Chief Executive Officer



## Corporate Governance

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

### Board

The Board is made up of a non-executive Chairperson, non-executive members, with the Chief Executive Officer (ex officio, having no vote) being the only executive member. The members of the Board consist of men and women of integrity who bring a wealth of experience from different backgrounds, all of which help to enrich the Board. See Board composition on page 32.

### Executive Committee

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

### Audit Committee

The Audit Committee is constituted in terms of the requirements of sound corporate governance practices and operates within that framework. The names of the Committee members appear on page 32.

The Committee comprises of five non-executive members and meets at least three times a year. Both external and internal audit have unrestricted access to the Committee and attend meetings.

The role and responsibilities of the Committee are documented in the Terms of Reference for the Audit Committee. An important role

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

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

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

The Committee's report on these matters is dealt with under a separate heading in the Board Members' report.

### Tender Committee

An internal Tender Committee chaired by the Chief Financial Officer has been established for assisting the Board with evaluating and approving tenders, above certain predetermined limits, for services and products required. The tender process is guided by the principles contained in the Preferential Procurement Policy Framework Act, 2000 and Regulations thereunder.

### Systems of Procurement, Financial and Risk Management

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



# Statement of Responsibility

by the Members of the Board

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

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

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the Board's policies and procedures. These controls are implemented by suitably trained, skilled personnel with an appropriate segregation of duties, are monitored by management and 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 an accounting firm, conducts the internal audit in accordance with the standards set by the Institute of Internal Auditors and co-ordinates audit coverage with the external auditors. The external auditors are responsible for reporting on the financial statements.

The financial statements are prepared in accordance with generally accepted accounting practice and the reporting requirements of the Public Finance Management Act, based on appropriate accounting

policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

The financial statements for the year ended 31 March 2002 set out on pages 18 to 28 were approved by the members of the Board on 21 June 2002 and are signed on its behalf by:

**Chris Fisser**  
Chairperson

**Sfiso Buthelezi**  
Chief Executive Officer





# Auditor-General's Report

for the year ended 31 March 2002

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE NATIONAL GAMBLING BOARD FOR THE YEAR ENDED 31 MARCH 2002



### 1. Audit Assignment

The financial statements as set out on pages 18 to 28, for the year ended 31 March 2002, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995) and section 9(2) of the National Gambling Act, 1996 (Act No. 33 of 1996). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting authority. My responsibility is to express an opinion on these financial statements, based on the audit.

### 2. Nature and scope

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

An audit includes:

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

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

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

### 3. Audit opinion

In my opinion, the financial statements fairly present, in all material respects, the financial position of the National Gambling Board at 31 March 2002 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999).

### 4. Appreciation

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

**L.A. van Vuuren**  
for Auditor-General

Pretoria  
23 July 2002



# Board Members' Report

for the year ended 31 March 2002

## 1. Introduction

The members of the National Gambling Board have pleasure in presenting their report for the year ended 31 March 2002. This report complements the financial statements and provides additional information and explanations relating to the operations and performance of the Board as well as relevant statutory information required in terms of the National Gambling Act, 1996 (No. 33 of 1996) (the Act) and the Public Finance Management Act, 1999 (No. 1 of 1999) and Treasury Regulations thereunder.

## 2. Nature of Business

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

## 3. Objects and functions

### OBJECTS

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

- to promote uniform norms and standards applying generally throughout the Republic, and to bring about uniformity in the legislation relating to gambling in force in the various provinces;
- to establish and maintain a national inspectorate to perform inspection services in respect of certain gambling activities;
- to monitor the existence of any dominant or over-concentrated market-share in the gambling industry in the Republic;
- to advise the Minister and the provinces on any matter in respect of which the Minister or provinces require the advice of the Board;
- to do research with reference to any matter referred to above and to study and investigate all such matters in order to make recommendations for the development, improvement, modernisation or reform thereof;
- to facilitate the resolution of any disputes, which may arise between the respective provinces regarding the regulation and control of gambling activities;
- to liaise with any foreign international body having any objects similar to the objects of the Board.

### FUNCTIONS

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

- shall have due regard to
  - the powers of the provinces and the regional, economic, financial, social and moral interests of the Republic;
  - the promotion of the basic principles underlying gambling in the Republic;
  - international developments in the field of gambling;
- shall from time to time advise the Minister on the maximum number of any kind of gambling licences to be awarded in the Republic or in any one province;
- may advise and provide guidelines to the provincial authorities on the regulation and control of gambling or wagering activities, including –
  - the manner and nature of the regulation and control of gambling activities in general or in connection with a specific gambling activity;
  - the granting, issuing, suspension, withdrawal and amendment of gambling licences;
  - the criteria to be complied with before any gambling licence is granted;
  - the nature and manner of the auditing of the businesses of licensees and the documents and records which shall be kept and submitted to the provincial authorities;
  - the imposition of taxes, levies and duties in respect of any gambling activities;
  - the types of games that may be played in a casino;
  - the types, minimum standards and qualities of gambling equipment which may be used by any licensee;
  - the control and restriction of the game of bingo or any similar game;
  - any matter on which the Minister or a provincial authority requires the advice of the Board;
  - measures relating to the advancement, upliftment and economic empowerment, through the gambling industry, of persons or groups or categories of persons disadvantaged by unfair discrimination;
  - in general, any other matter which the Board may consider necessary or expedient to give advice to the Minister or provincial authority;
- may advise the Minister on the determination of national norms and standards regarding any matter that should apply generally throughout the Republic;



## *Board Members' Report*

- may in consultation with the Minister allocate out of the funds of the Board such amounts as may be necessary for programmes for the rehabilitation of persons who in its view have become addicted to obsessive gambling; and
- the Board may require any licensing authority to submit any report or information related to the activities of such licensing authority to the Board.

### **4. Key objectives for the year**

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

- Introducing a legal framework for interactive (Internet) gambling in the Republic
- Implementing a central electronic monitoring system (CEMS) to service the provincial licensing authorities (PLAs) and the Board on a national basis
- Providing a solution to rehabilitate persons who have become addicted to obsessive gambling, and to promote responsible gambling on a national basis
- Providing reliable statistical and research material on an ongoing basis
- Increasing the effectiveness of the national inspectorate to perform the functions provided for in the Act

### **5. Performance against objectives**

The performance information in respect of key objectives for the year under review is dealt with in the Performance Report set out on page 12, which is not subject to audit.

### **6. Financial Performance**

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

- Transfers on budget allocation amounting to R7 million (2001: R12.5 million) were received from DTI which, together with CEMS contract fees of R2 million (2001: Nil), interest revenue of R605 000 (2001: R861 000) and other revenue totalling R2 000 (2001: R81 000) resulted in revenue for the year totalling R9.6 million (2001: R14.4 million).
- Expenses as set out in the income statement amounted to R14.1 million (2001: R14.2 million) resulting in a deficit of R4.5 million (2001: Surplus of R235 000) for the year.

- The results for the year were positively influenced by savings on budgeted expenses mainly due to staff vacancies that resulted from a delay in certain planned operations.

The accumulated surplus is reflected in the attached statement of changes in funds. After deducting the deficit for the year, the accumulated surplus of R11.0 million (2001: R10.8 million) brought forward from the previous year decreased to R6.5 million (2001: R11 million) at the end of the year.

The financial position at the end of the year is reflected in the attached balance sheet. Total assets with a book value of R8.7 million (2001: R14.7 million) is made up of furniture and equipment, computers and a motor vehicle, amounting to R853 000 (2001: R913 000) and current assets of R7.9 million (2001: R13.7 million). Total liabilities (all current) amounted to R2.2 million (2001: R3.6 million).

### **7. Capital Expenditure**

Net capital expenditure on office furniture, office equipment, computer equipment and software amounted to R367 114 (2001: R369 000).

### **8. Emoluments of Board and executive members**

The emoluments of Board and executive members are disclosed in note 6 to the financial statements.

### **9. Board Members**

The names of Board Members appear on page 32.

### **10. Report of the Audit Committee**

The Audit Committee has reviewed the effectiveness of the Board's internal controls and considers the systems appropriate for the effective operation of its business. The Committee has also evaluated the annual financial statements and has recommended their approval by the Board.



# Balance Sheet

at 31 March 2002

|  | Notes | 2002<br>R        | 2001<br>R         |
|--|-------|------------------|-------------------|
| <b>ASSETS</b>                          |       |                  |                   |
| <b>Non-current assets</b>              |       |                  |                   |
| Furniture, equipment and motor vehicle | 3     | 853 045          | 913 128           |
| <b>Current assets</b>                  |       |                  |                   |
| Accounts receivable and prepayments    | 5     | 453 965          | 302 208           |
| Cash and cash equivalents              | 10    | 7 403 208        | 13 444 343        |
| <b>Total assets</b>                    |       | <b>8 710 218</b> | <b>14 659 679</b> |
| <b>RESERVE AND LIABILITIES</b>         |       |                  |                   |
| <b>Reserve</b>                         |       |                  |                   |
| Accumulated surplus                    | 13    | 6 507 676        | 11 039 009        |
| <b>Current liabilities</b>             |       |                  |                   |
| Accounts payable and accruals          |       | 1 148 313        | 2 935 964         |
| Deposit held in trust                  |       | 250 000          | 500 000           |
| Provisions for liabilities and charges | 4     | 804 229          | 184 706           |
| <b>Total reserve and liabilities</b>   |       | <b>8 710 218</b> | <b>14 659 679</b> |



## *Income Statement*

for the year ended 31 March 2002

|  | Notes | 2002<br>R          | 2001<br>R         |
|--|-------|--------------------|-------------------|
| <b>REVENUE</b>                                       |       |                    |                   |
| Budget allocation – Department of Trade and Industry |       | 7 000 000          | 12 500 000        |
| Interest received                                    |       | 605 060            | 860 969           |
| Application fees – CEMS tender                       |       | –                  | 1 000 000         |
| Contract fees – CEMS operator                        |       | 2 000 000          | –                 |
| Other non-operating income                           |       | 1 832              | 81 415            |
|  |       | <b>9 606 892</b>   | <b>14 442 384</b> |
| <b>EXPENSES</b>                                      |       |                    |                   |
| Personnel cost                                       | 8     | 4 790 744          | 3 979 230         |
| Subsistence and travelling                           |       | 1 081 689          | 1 028 361         |
| Board and executive members' remuneration            | 6     | 881 281            | 838 649           |
| Professional and consulting fees                     | 7     | 1 331 380          | 4 799 556         |
| Legal fees   |       | 1 734 465          | 1 095 855         |
| Auditors' remuneration                               |       | 71 844             | 61 078            |
| National and other conferences                       |       | 72 390             | 811 493           |
| Provision for doubtful debt                          | 15    | 2 000 000          | –                 |
| Depreciation   | 3     | 427 197            | 288 381           |
| Other operating expenses                             |       | 1 747 235          | 1 304 347         |
|  |       | <b>14 138 225</b>  | <b>14 206 950</b> |
| <b>SURPLUS / (DEFICIT) FOR THE YEAR</b>              |       | <b>(4 531 333)</b> | <b>235 434</b>    |

## *Statement of Changes in Funds*

for the year ended 31 March 2002

|                                  | Notes | 2002<br>R        | 2001<br>R         |
|----------------------------------|-------|------------------|-------------------|
| <b>ACCUMULATED SURPLUS</b>       |       |                  |                   |
| Balance at beginning of year     |       | 11 039 009       | 10 803 575        |
| Surplus / (deficit) for the year |       | (4 531 333)      | 235 434           |
| <b>Balance at end of year</b>    | 13    | <b>6 507 676</b> | <b>11 039 009</b> |



# Cash Flow Statement

for the year ended 31 March 2002

|  | Notes | 2002<br>R    | 2001<br>R    |
|--|-------|--------------|--------------|
| <b>Cash flows from operating activities</b>    |       |              |              |
| Cash receipts from DTI                         |       | 7 000 000    | 12 500 000   |
| Cash receipts – application fees and other     |       | 1 832        | 1 081 415    |
| Cash paid to suppliers and employees           |       | (13 280 913) | (10 612 587) |
| Cash generated from operations                 | 9     | (6 279 081)  | 2 968 828    |
| Interest received                              |       | 605 060      | 860 969      |
| Interest paid                                  |       | –            | (66)         |
| Net cash inflow from operating activities      |       | (5 674 021)  | 3 829 731    |
| <b>Cash flows from investing activities</b>    |       |              |              |
| Purchase of non-current assets                 | 3     | (367 114)    | (368 696)    |
| Net cash from investing activities             |       | (367 114)    | (368 696)    |
| Net increase in cash and cash equivalents      |       | (6 041 135)  | 3 461 035    |
| Cash and cash equivalents at beginning of year | 10    | 13 444 343   | 9 983 308    |
| Cash and cash equivalents at end of year       | 10    | 7 403 208    | 13 444 343   |



# *Notes to the Financial Statements*

for the year ended 31 March 2002

## **1 Accounting policies**

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

### **1.1 Statement of compliance**

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

### **1.2 Basis of preparation**

The financial statements are prepared on the historical cost basis.

### **1.3 Furniture, equipment and motor vehicle**

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

|                                 |         |
|---------------------------------|---------|
| Furniture and office equipment  | 5 years |
| Computer equipment and software | 3 years |
| Motor vehicle                   | 5 years |

## **1.4 Leases**

### **OPERATING LEASES**

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

## **1.5 Financial instruments**

### **MEASUREMENT**

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

#### **Receivables**

Receivables are stated at anticipated realisable value.

#### **Cash and cash equivalents**

Cash and cash equivalents are measured at realisable value.

### **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.



## *Notes to the Financial Statements*

### **1.6 Cash and cash equivalents**

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

### **1.7 Revenue**

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

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

### **1.8 Investment income**

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

### **1.9 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.

### **1.10 Provisions**

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

### **1.11 Employee benefits**

#### **SHORT TERM EMPLOYEE BENEFITS**

The cost of all short term employee benefits is recognised during the period in which the employee renders the related service.

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

### **1.12 Retirement benefits**

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

### **1.13 Comparative figures**

Where necessary comparative figures have been reclassified.

## **2 Taxation**

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



*Notes to the Financial Statements*

**3 Furniture, equipment and motor vehicle**

|  | Furniture<br>& office<br>equipment | Computer<br>equipment<br>& software | Motor<br>vehicle | Total      |
|--|------------------------------------|-------------------------------------|------------------|------------|
|  | R                                  | R                                   | R                | R          |
| <b>2002</b>                            |                                    |                                     |                  |            |
| Cost at beginning of year              | 534 111                            | 733 630                             | 68 248           | 1 335 989  |
| Accumulated depreciation previous year | ( 163 280)                         | ( 244 196)                          | ( 15 385)        | ( 422 861) |
|  | 370 831                            | 489 434                             | 52 863           | 913 128    |
| Purchases current year                 | 161 664                            | 205 450                             | –                | 367 114    |
| Depreciation current year              | ( 120 939)                         | ( 292 609)                          | ( 13 649)        | ( 427 197) |
| Carrying amount at end of year         |                                    |                                     |                  |            |
| – Cost                                 | 695 775                            | 939 080                             | 68 248           | 1 703 103  |
| – Accumulated depreciation             | ( 284 219)                         | ( 536 805)                          | ( 29 034)        | ( 850 058) |
|  | 411 556                            | 402 275                             | 39 214           | 853 045    |
| <b>2001</b>                            |                                    |                                     |                  |            |
| Cost at beginning of year              | 510 622                            | 388 423                             | 68 248           | 967 293    |
| Accumulated depreciation previous year | ( 58 993)                          | ( 73 751)                           | ( 1 736)         | ( 134 480) |
|  | 451 629                            | 314 672                             | 66 512           | 832 813    |
| Purchases current year                 | 23 489                             | 345 207                             | –                | 368 696    |
| Depreciation current year              | ( 104 287)                         | ( 170 445)                          | ( 13 649)        | ( 288 381) |
| Carrying amount at end of year         |                                    |                                     |                  |            |
| – Cost                                 | 534 111                            | 733 630                             | 68 248           | 1 335 989  |
| – Accumulated depreciation             | ( 163 280)                         | ( 244 196)                          | ( 15 385)        | ( 422 861) |
|  | 370 831                            | 489 434                             | 52 863           | 913 128    |

**4 Provisions for liabilities and charges**

|                             | Leave pay<br>R | Legal costs<br>R | Total<br>R |
|-----------------------------|----------------|------------------|------------|
| At 1 April 2000             |                |                  |            |
| Charged to income statement | 95 025         | –                | 95 025     |
|                             | 89 681         | –                | 89 681     |
| At 31 March 2001            | 184 706        | –                | 184 706    |
| At 1 April 2001             |                |                  |            |
| Charged to income statement | 184 706        | –                | 184 706    |
|                             | 69 523         | 550 000          | 619 523    |
| At 31 March 2002            | 254 229        | 550 000          | 804 229    |

*Notes to the Financial Statements*

|   | 2002<br>R        | 2001<br>R        |
|---|------------------|------------------|
| <b>5 Accounts receivable and prepayments</b>                        |                  |                  |
| CEMS operator   | 280 000          | –                |
| Receiver of Revenue (VAT)   | –                | 298 968          |
| Sun City Resort – deposit for national conference                   | 65 902           | –                |
| Other   | 108 063          | 3 240            |
|   | <u>453 965</u>   | <u>302 208</u>   |
| <b>6 Board Members' and executive member's remuneration</b>         |                  |                  |
| Board Members (non-executive)                                       |                  |                  |
| Services as Board Members<br>(Daily allowances)                     | 270 281          | 282 649          |
| Other services  | –                | –                |
| Executive member  |                  |                  |
| Services as Chief Executive Officer<br>(Total remuneration package) | 611 000          | 556 000          |
| Other services  | –                | –                |
|   | <u>881 281</u>   | <u>838 649</u>   |
| <b>7 Professional and consulting fees</b>                           |                  |                  |
| Internet gambling   | 1 022 854        | –                |
| Research  | 176 975          | 214 562          |
| CEMS  | 32 715           | 4 441 238        |
| Miscellaneous   | 98 836           | 143 756          |
|   | <u>1 331 380</u> | <u>4 799 556</u> |
| The above expenditure relate to non-recurring projects              |                  |                  |
| <b>8 Personnel cost</b>   |                  |                  |
| Remuneration  | 4 372 660        | 3 661 205        |
| Administration of provident fund and staff risks insurance          | 168 153          | 90 746           |
| Recruitment   | 125 763          | 136 601          |
| Training  | 124 168          | 90 678           |
|   | <u>4 790 744</u> | <u>3 979 230</u> |



## *Notes to the Financial Statements*

|  | 2002<br>R          | 2001<br>R         |
|--|--------------------|-------------------|
| <b>9 Cash generated from operations</b>  |                    |                   |
| Reconciliation of net income to cash generated from operations   |                    |                   |
| Surplus / (deficit) for the year   | (4 531 333)        | 235 434           |
| Adjustments for  |                    |                   |
| Net interest income  | ( 605 060)         | ( 860 903)        |
| Depreciation   | 427 197            | 288 381           |
| Increase/(Decrease) in provisions  | 619 523            | 89 681            |
| Changes in working capital   |                    |                   |
| Decrease/(Increase) in accounts receivable and prepayments   | ( 151 757)         | 377 664           |
| Increase/(Decrease) in accounts payables and accruals  | (1 787 651)        | 2 338 571         |
| Increase/(Decrease) in deposit held in trust   | ( 250 000)         | 500 000           |
| Cash generated from / (utilised) in operations   | <u>(6 279 081)</u> | <u>2 968 828</u>  |
| <b>10 Cash and cash equivalents</b>  |                    |                   |
| Current account (ABSA Bank)  | 2 273 615          | 264 684           |
| Call account (ABSA Bank)   | 5 128 040          | 13 178 040        |
| Cash on hand   | 1 553              | 1 619             |
|  | <u>7 403 208</u>   | <u>13 444 343</u> |
| <b>11 Non-capital commitments</b>  |                    |                   |
| <b>OPERATING LEASES</b>  |                    |                   |
| The future minimum lease payments under non-cancellable operating leases for the Board's offices and photocopier are as follows: |                    |                   |
| • Within 1 year  | 625 474            | 310 793           |
| • 1 to 5 years   | 1 655 308          | 377 107           |
|  | <u>2 280 782</u>   | <u>687 900</u>    |
| The current lease for offices escalates at 10% per annum.  |                    |                   |
| <b>OTHER</b>   |                    |                   |
| The Board had the following contractual commitments at year-end:   |                    |                   |
| • Consultants engaged on research project on the economic impact of gambling in South Africa                                     | 480 375            | -                 |
| • Obligation to host a national conference during April 2002 at Sun City   | 318 251            | -                 |
| • Tender for draft interactive (internet) gambling legislative framework, including regulations                                  | -                  | 1 500 000         |
| • Consultants to assist with the implementation of a central electronic monitoring system for limited payout machines            | -                  | 150 000           |
|  | <u>798 626</u>     | <u>1 650 000</u>  |



## *Notes to the Financial Statements*

|  | 2002<br>R | 2001<br>R |
|--|-----------|-----------|
| <b>12 Capital commitments</b>  |           |           |
| Contracted commitments existed in respect of the acquisition of office furniture and software, which will be financed from own funds | 112 020   | 3 818     |

### **13 Accumulated surplus**

The accumulated surplus is made up of funds for which permission was granted by National Treasury to retain for purposes of funding net assets and commitments at year-end and to supplement funding of the budget for 2003.

### **14 Retirement benefits**

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

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

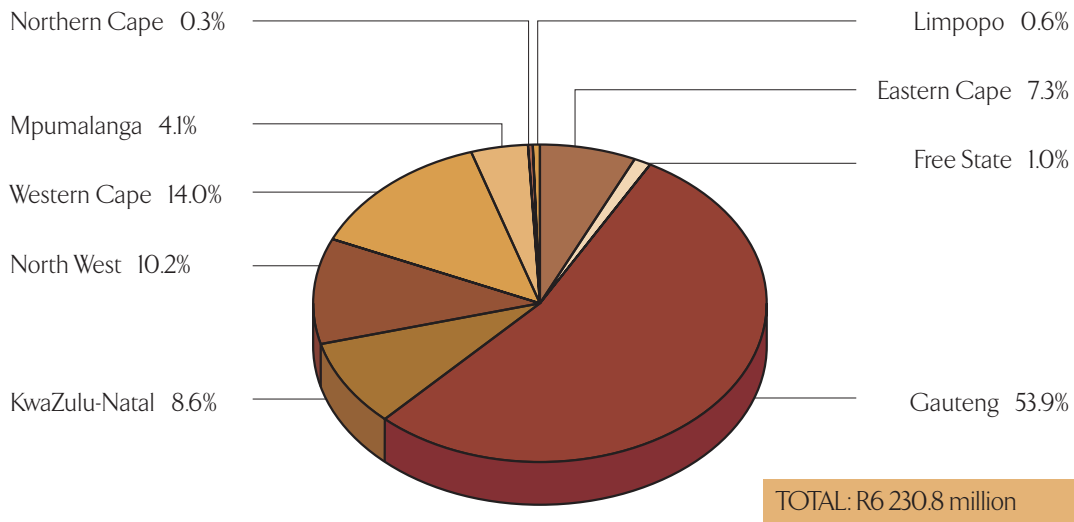
### **15 Provision for doubtful debt**

The assumptions relied upon by the CEMS operator in its tender, both with regard to the number of LPMs and the rollout timeframes, have proved to be overly optimistic. This led to the withdrawal of the operator's technology subcontractor shortly before year-end, resulting in a submission by the operator of a revised proposal based on a new technology subcontractor and software platform. This necessitated re-evaluation of the revised technical solution as well as the financial viability thereof. As a result uncertainty existed about the outcome of the revised proposal and the recoverability of the contract fee.

# Statistics

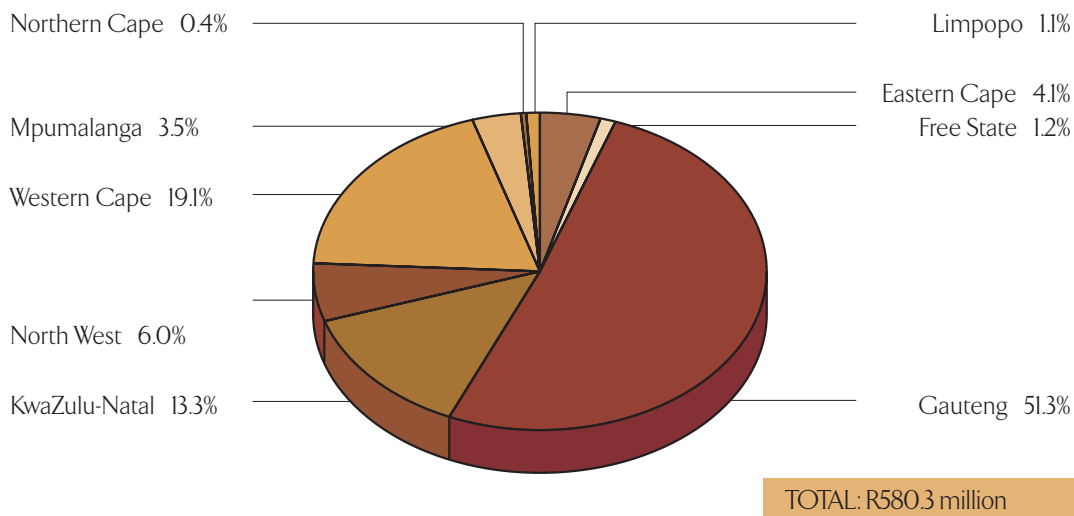
## GROSS GAMBLING REVENUE PER PROVINCE

(Year ended 31 March 2002)



## GAMBLING TAX/LEVY PER PROVINCE

(Year ended 31 March 2002)



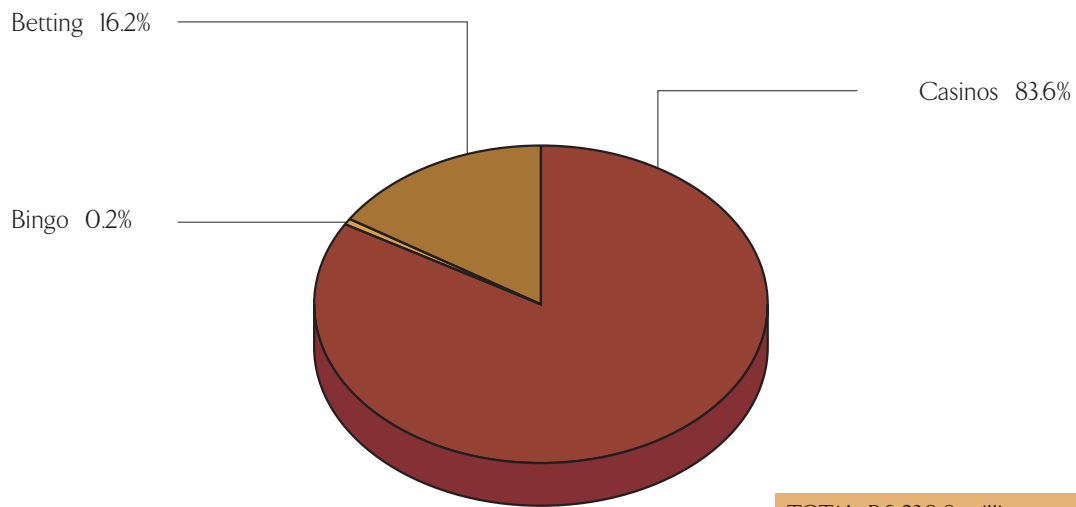
- Compiled from unaudited data received from provincial licensing authorities
- Gross gambling revenue refers to the value of the gross win of an operator before deducting gambling taxes/levies and VAT



# Statistics

## GROSS GAMBLING REVENUE PER GAMBLING MODE

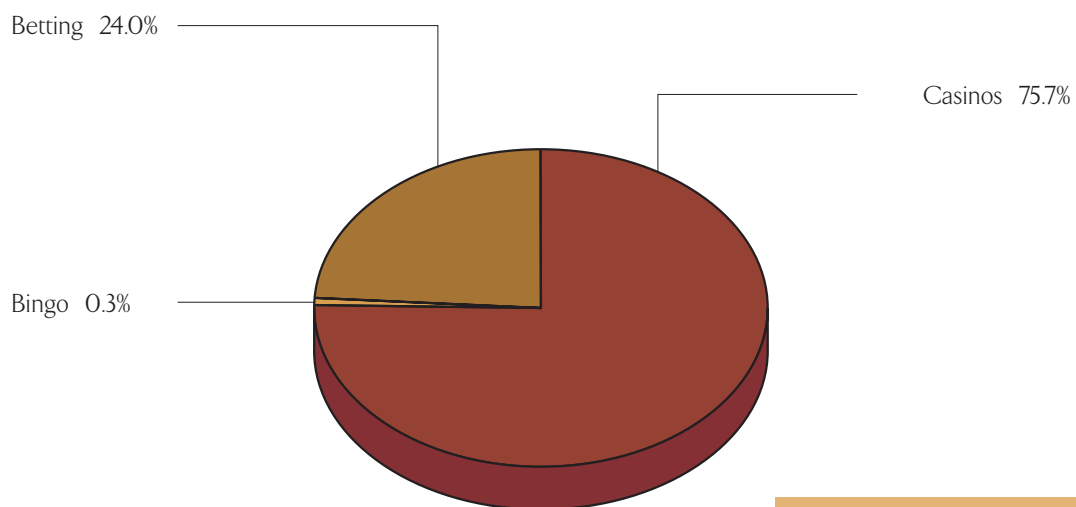
(Year ended 31 March 2002)



TOTAL: R6 230.8 million

## GAMBLING TAX/LEVY PER GAMBLING MODE

(Year ended 31 March 2002)



TOTAL: R580.3 million

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



# Casinos in the Republic of South Africa

| PROVINCE              | AREA   | LOCATION                          | NAME OF RESORT              | DATE OPENED | CASINO OPERATOR          | MANAGEMENT CO.           | TOTAL CAPITAL INVESTMENT (R million) | TEMPORARY OR PENDING |        | PERMANENT CASINOS |        | CURRENT STATUS JUNE 2002   |  |
|-----------------------|--------|-----------------------------------|-----------------------------|-------------|--------------------------|--------------------------|--------------------------------------|----------------------|--------|-------------------|--------|--|--|
|                       |        |                                   |                             |             |                          |                          |                                      | SLOTS                | TABLES | SLOTS             | TABLES |  |  |
| Eastern Cape          | Zone 1 | Port Elizabeth                    | The Boardwalk               | Oct-00      | Emfuleni Resort          | Sun Inter. Management    | 533                                  |                      |        | 700               | 19     | Permanent casino - Feb 01  |  |
| Eastern Cape          | Zone 2 | East London                       | Hemingways Casino           | Sep-01      | Isogo Sun Emofini        | MGM Grand SA             | 222                                  |                      |        | 380               | 12     | Temporary casino - May 02  |  |
| Eastern Cape          | Zone 3 | Queenstown                        |                             |             |                          |                          |                                      |                      |        |                   |        | Application for casino licence closed Apr 01 - no application      |  |
| Eastern Cape          | Zone 4 | Umtata                            |                             |             |                          |                          |                                      |                      |        |                   |        | Application for casino licence closed Apr 01 - no application      |  |
| Eastern Cape          | Zone 5 | Bizana                            | Wild Coast Sun              | Dec-81      | Transkei Sun Int.        | Sun Inter. Management    | Existing                             |                      |        | 438               | 16     | Existing operation - opened December 81. New licence issued Oct 99 |  |
| Free State            | Zone 1 | Southern Region (Bloemfontein)    | Thaba Nchu Sun              | Oct-85      | Sun International        | Sun Inter. Management    | Existing                             | 200                  | 15     |                   |        | One casino in Zone 1 has to be closed or moved.                    |  |
| Free State            | Zone 2 | Goldfield Region                  | Naledi Sun                  | May-89      | Sun International        | Sun Inter. Management    | Existing                             | 120                  |        |                   |        | One casino in Zone 1 has to be closed or moved.                    |  |
| Free State            | Zone 3 | Eastern Region (Harrismith)       |                             |             |                          |                          |                                      |                      |        |                   |        | RFP's issued, closed on May 01 - applications under consideration  |  |
| Free State            | Zone 4 | Northern Region (Vaal River)      |                             |             |                          |                          |                                      |                      |        |                   |        | RFP's issued, closed on May 01 - applications under consideration  |  |
| Gauteng               |        | Fourways                          | Monte Casino                | Sep-98      | Isogo Sun Gauteng        | MGM Grand SA             | 1 462                                |                      |        | 1 700             | 70     | Permanent casino opened - Nov 00                                   |  |
| Gauteng               |        | Golf Reef City                    | Gold Reef City              | Nov-98      | Akani Egoli              | Casinos Austria Int.     | 910                                  |                      |        | 1 600             | 50     | Permanent casino opened - Mar 00                                   |  |
| Gauteng               |        | Vanderbijlpark                    | Emerald Safari Resort       | Nov-98      | Emerald Casino           | London Clubs Int.        | 624                                  |                      |        | 616               | 24     | Permanent casino opened - May 01                                   |  |
| Gauteng               |        | Kempton Park                      | Caesars                     | Dec-98      | Global Resorts East Rand | Park Place Entertainment | 1 300                                |                      |        | 1 500             | 50     | Permanent casino opened - Sept 00                                  |  |
| Gauteng               |        | Brakpan                           | Carnival City               | Dec-98      | Afrisun Gauteng          | Sun Inter. Management    | 870                                  |                      |        | 1 750             | 60     | Permanent casino opened - Oct 99                                   |  |
| Gauteng               |        | West Rand                         | Rhino Resorts               |             | Rhino Resorts            | Century Casino Inc.      |                                      | 700                  | 30     |                   |        | Pending Court application for review                               |  |
| Kwazulu-Natal         | Zone 1 | Greater Durban (Village Green)    | Izabeni Beach Casino        |             | Isogo Sun KZN            | MGM Grand SA             | 1 400                                |                      |        | 1 250             | 30     | Permanent casino - Dec 02  |  |
| Kwazulu-Natal         | Zone 2 | Northern Durban (Mt Edgecombe)    | Sugarhill - Sibaya Resorts  | Feb-01      | Afrisun KZN              | Sun Inter. Management    | 917                                  | 877                  | 30     |                   |        | Temporary casino - Feb 01  |  |
| Kwazulu-Natal         | Zone 3 | North Coast (Empangeni)           | Tusk Umbolazi Casino        | May-02      | Ermanzi Leisure Resorts  | Tusk Management Co.      | 171                                  | 300                  | 10     |                   |        | Temporary casino opened - May 02                                   |  |
| Kwazulu-Natal         | Zone 4 | Northern Natal (Newcastle)        | Monte Vista Casino & Resort | Sep-99      | Balele Leisure           | Winlen Casino Operators  | 176                                  | 250                  | 15     |                   |        | Opened temporary casino - Sept 99                                  |  |
| Kwazulu-Natal         | Zone 1 | Natal Midlands (Pietermaritzburg) | Golden Horse                | Sep-01      | Akani Msunduzi           | Casinos Austria Int.     | 204                                  |                      |        | 450               | 18     | Permanent casino - Sept 01   |  |
| Mpumalanga            | Zone 1 | Witbank                           | Champions Casino            | Mar-99      | Isogo Sun                | MGM Grand SA             | 152                                  | 322                  | 12     |                   |        | Temporary casino licence issued - Mar 98                           |  |
| Mpumalanga            | Zone 2 | Secunda                           | Graceland Hotel & Casino    | Oct-97      | Global Resorts Highveld  | Global Resorts SA        | 220                                  |                      |        | 408               | 16     | Permanent opened - July 98   |  |
| Mpumalanga            | Zone 3 | Nelspruit                         | Emnathweni Casino           | Oct-97      | Isogo Sun                | MGM Grand SA             | 144                                  |                      |        | 298               | 12     | Permanent casino opened - Nov 99                                   |  |
| Mpumalanga            | Zone 4 | Pilgrims Rest/Lydenburg/Bushbuck  |                             |             |                          |                          |                                      |                      |        |                   |        | No licence issued  |  |
| Limpopo               |        | Polokwane (Pretoriusburg)         | Meropa Entertainment World  | Mar-02      | Sun International        | Sun Inter. Management    | 208                                  |                      |        | 250               | 12     | Permanent casino - Mar 02  |  |
| Limpopo               |        | Thohoyandou                       | Venda Sun                   | Jul-83      | Tusk Resorts             | Tusk Management Co.      | Existing                             |                      |        | 160               | 7      | RFP issued and closed Jan 01 - no application                      |  |
| Northern Cape         |        | Kimberley                         | Flamingo                    | Mar-02      | Ieemane                  | Sun Inter. Management    | 110                                  |                      |        | 200               | 9      | Existing operation - Sun Int sold to Tusk - Jan 01                 |  |
| Northern Cape         |        | Upington                          | Desert Palace Hotel Resort  | Jun-00      | Desert Palace            | Kairo Management Co.     | 40                                   | 145                  | 7      |                   |        | Permanent casino opened - Mar 02                                   |  |
| Northern Cape         |        | Colaberg                          |                             |             |                          |                          |                                      |                      |        |                   |        | Opened temporary casino - June 2000                                |  |
| North West            |        | Manabotho                         | Tusk Almatibo               | Dec-78      | Tusk Resorts             | Tusk Management Co.      | Existing                             |                      |        | 194               | 9      | No licence issued  |  |
| North West            |        | Planesberg                        | Sun City                    | Dec-79      | Sun International        | Sun Inter. Management    | Existing                             |                      |        | 852               | 38     | Sun International sold to Tusk Resorts - Jan 99                    |  |
| North West            |        | Taung                             | Tusk Taung                  | Oct-88      | Tusk Resorts             | Tusk Management Co.      | Existing                             |                      |        | 188               | 0      | Existing operation   |  |
| North West            |        | Mabopane                          | Morula Sun                  | Jun-87      | Sun International        | Sun Inter. Management    | Existing                             |                      |        | 693               | 15     | Sun International sold to Tusk Resorts - Jan 99                    |  |
| North West            |        | Hammanakraal                      | Carousel                    | Nov-91      | Sun International        | Sun Inter. Management    | Existing                             |                      |        | 932               | 23     | Existing operation   |  |
| Western Cape          | Zone 1 | Cape Metropole (Goodwood)         | GrandWest                   | Dec-00      | Sun West Int.            | Sun Inter. Management    | 1 700                                |                      |        | 1 750             | 66     | Permanent casino opened - Dec 00                                   |  |
| Western Cape          | Zone 2 | Southern Cape (Mossel Bay)        | Pinnacle Point Casino       |             | Pinnacle Point Casino    | Gold Reef Management     | 126                                  |                      |        | 250               | 12     | Permanent casino - Dec 02  |  |
| Western Cape          | Zone 3 | Breele River                      | Worcester                   |             |                          |                          |                                      |                      |        |                   |        | No licence issued  |  |
| Western Cape          | Zone 4 | Overberg                          | Caledon casino              | Oct-00      | Caledon casino Bid Co.   | Century Casino Inc.      | 105                                  |                      |        | 250               | 14     | Permanent casino opened - Oct 00                                   |  |
| Western Cape          | Zone 5 | West Coast                        | Club Mykonos Langebaan      | Nov-00      | West Coast Leisure       | CAI GoldReef Management  | 67                                   |                      |        | 250               | 12     | Permanent casino opened - Oct 00                                   |  |
|                       |        |                                   |                             |             |                          |                          | 11 661                               | 2 914                | 119    | 17 059            | 594    |  |  |
| SUMMARY               |        |                                   |                             |             |                          |                          | 10 135                               | 2 214                | 89     | 15 559            | 552    |  |  |
| Casinos operating     |        |                                   |                             |             |                          |                          | 1 526                                | 700                  | 30     | 1 500             | 42     |  |  |
| Casinos not operating |        |                                   |                             |             |                          |                          | 11 661                               | 2 914                | 119    | 17 059            | 594    |  |  |
| TOTAL                 |        |                                   |                             |             |                          |                          |                                      |                      |        |                   |        |  |  |
| CASINOS               |        |                                   |                             |             |                          |                          | 29                                   | 7                    |        | 22                |        |  |  |
| Operating             |        |                                   |                             |             |                          |                          | 3                                    | 1                    |        | 2                 |        |  |  |
| Not operating         |        |                                   |                             |             |                          |                          | 8                                    | 8                    |        |                   |        |  |  |
| Not yet licenced      |        |                                   |                             |             |                          |                          | 40                                   | 16                   |        | 24                |        |  |  |
| TOTAL                 |        |                                   |                             |             |                          |                          |                                      |                      |        |                   |        |  |  |

Key  
Effective date  
Casinos currently operating  
30 June 2002



## Administration

### BOARD MEMBERS

|          |                           |                                     |
|----------|---------------------------|-------------------------------------|
| Messrs   | CL Fisser – Chairperson   |                                     |
|          | JT Roelofse               | Membership expired 31 December 2001 |
|          | J Lukwago-Mugerwa         |                                     |
|          | IAM Semenya               | Membership expired 31 December 2001 |
|          | A Doorasamy               | Membership expired 31 December 2001 |
|          | DW Auret                  |                                     |
|          | TN Aboobaker              |                                     |
|          | T Rakgoale                | Membership expired 31 December 2001 |
|          | SM Maja                   |                                     |
|          | J Booysen                 | Appointed 1 January 2002            |
|          | N Kgothadi                | Appointed 1 January 2002            |
|          | MW Ngobeni                | Appointed 1 January 2002            |
|          | NS Buthelezi – Ex Officio |                                     |
| Mesdames | S Maziya                  | Resigned September 2001             |
|          | LJN Kganyago              |                                     |
|          | PE Makhele-Gaoboihi       | Appointed 1 January 2002            |
|          | T Moja                    | Appointed 1 January 2002            |

### AUDIT COMMITTEE

|        |                           |                     |
|--------|---------------------------|---------------------|
| Messrs | JT Roelofse – Chairperson | Until December 2001 |
|        | TN Aboobaker              |                     |
|        | P Mothibe                 |                     |
|        | JFJ Scheepers             |                     |
| Ms     | L Mthimunye               |                     |

### CHIEF EXECUTIVE OFFICER

Mr NS Buthelezi

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