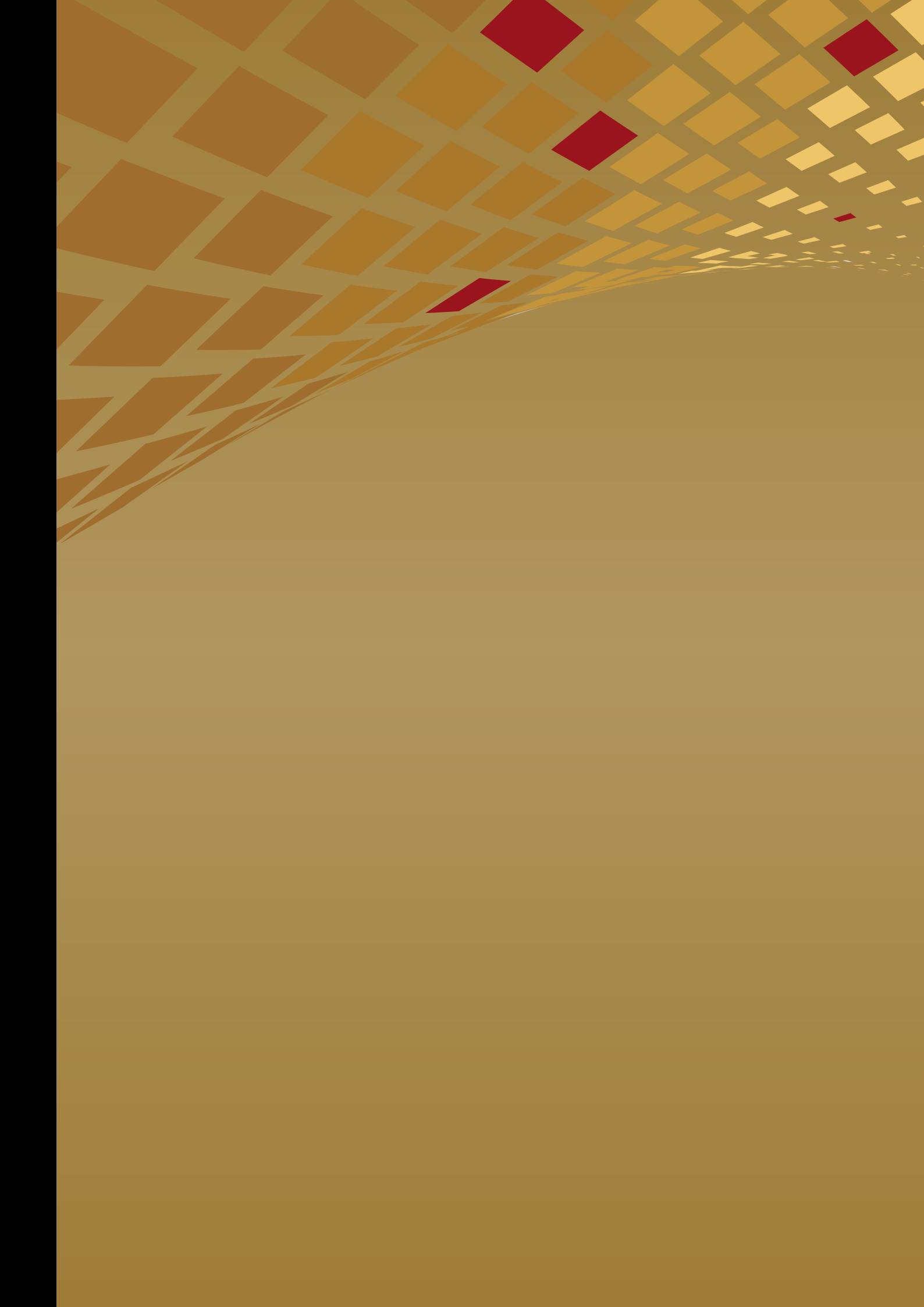




# 2011

## ANNUAL REPORT





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# Vision

Limpopo Gambling Board envisages a credible, viable and regulated gambling industry in the Province, which provides exciting leisure opportunities that contribute to economic development.

# Mission

Limpopo Gambling Board is committed to the promotion of the gambling industry for the benefit of the people of the Province, by ensuring:

- Compliance with the Law;
- Provision of appropriate leisure facilities; and
- Sustainable Local Economic Development.

# Our Philosophy

- To operate in accordance with the highest moral and ethical standards.
- To accept responsibility towards our most important resources, our employees and to maximise the development and utilisation thereof.
- To strive towards a healthy relationship with our stakeholders.

message from the MEC for  
**ECONOMIC  
DEVELOPMENT,  
ENVIRONMENT  
AND TOURISM**



It is my greatest pleasure to present the Annual Report of the Limpopo Gambling Board for the 2010/11 Financial Year to the honourable members of the Limpopo Provincial Legislature and to all other stakeholders.

In terms of its statutory obligations, the Board has achieved the targets that it has set for itself as contained in its Strategic and Annual Performance Plans for the year.

I therefore seize this opportunity to congratulate the Board, the Chief Executive and staff for all the relentless efforts they have made without exception to ensure that a proper and efficient regulatory regime is put in place for our Province and Country.

A handwritten signature in black ink, appearing to read 'P-P. Moloto'.

**Hon. Pitsi Moloto**

MEC: Economic Development, Environment & Tourism

# CHAIRPERSON'S

# statement

In line with Section 14(3)(a) and (b) of the Limpopo Gambling Act, Act 4 of 1996 as amended, the Board has the responsibility to report on its activities on an annual basis to the Member of the Executive Council responsible for gambling, the Provincial Executive Council, the Provincial Legislature and the National Gambling Board of the Republic of South Africa.

As a consequence of this statutory obligation, it is indeed my pleasure to submit this Annual Report to all these authorities as well as to all other interest groups. In pursuit of the objectives that we set for ourselves at the beginning of the 2010/2011 Financial Year, the Board spared no effort in straining every nerve to achieve our set targets. As a result of these efforts, we awarded the third and final casino licence for the Limpopo Province to Peermont Global (Tubatse) Pty Ltd. The Casino will be built in Tubatse/ Burgersfort, within the Greater Sekhukhune District Municipality. In terms of the bid commitment of the licensee, the Casino will be operational by 2013. It is projected that approximately four hundred employment opportunities will be created during the construction phase and another one hundred and eighty during the operational phase. The total capital investment for this project is estimated at R236 million. No doubt, this project will contribute immensely to the economic development of the Province in general and the advancement of the lives of the people of the Greater Sekhukhune District Municipality in particular.

Furthermore, the Board has recently awarded a route operator licence to Goldrush (Pty) Ltd to roll out Limited Pay-out Machines in the Province. This is in addition to those already being operated by Vukani Gaming Limpopo (Pty) Ltd. This will further add impetus to the creation of more jobs and to increase the contribution of the Board to the Provincial Revenue Fund through the payment of additional levies and taxes.

While we are proud of the outstanding achievements made by our Law Enforcement Business Unit in combating illegal gambling activities as evidenced by the high number of arrests of illegal operators and their successful prosecution, we are nonetheless perturbed by the fact that these illegal operators continue to be a menace to our communities. However, our Law Enforcement Unit,



together with other law enforcement agencies, will continue to spare no effort in ensuring that the perpetrators of these illegal gambling activities are arrested and brought to justice.

It is also appropriate to mention at this point that for the 2010/2011 year, three hundred and fifty two illegal operators were arrested and had to pay admission of guilt fines. Fifty three illegal gambling machines were confiscated and subsequently forfeited to the Board. We seize this opportunity to express our heartfelt gratitude and indebtedness to the South African Police Force, the National Prosecuting Authority and all other law enforcement agencies that assisted us in dealing with these illegal operators.

It is one of our core responsibilities to protect gamblers at licensed gambling venues. In pursuit of this responsibility, we continued to monitor very closely the activities of all operators in order to ensure that they comply with our legislation, their respective licence conditions and all other applicable laws of the country. Of course, all this would not be achieved without the sterling contribution of the Auditors and Gambling Inspectors of the Board who supported us at every turn to ensure that we fulfill our monitoring and compliance function with distinction. Among other purposes, this close monitoring helped to ensure that accurate levies and taxes are paid to the Provincial Revenue Fund and that the operators do not merely pay lip service to matters of responsible gambling, but that they engage with these matters in earnest. It is trite that gambling may become addictive. We are highly appreciative of the role played by the South African Responsible Gambling Foundation through the National Responsible Gambling Programme to ensure that the counseling and treatment of addicted persons is carried out effectively. Consistent with its unwavering commitment to responsible gambling, the Board also commissioned intensive media and publicity campaign warning communities against the dangers of excessive and irresponsible gambling. We are proud to report that the incidence of irresponsible gambling within the Province remains negligible.

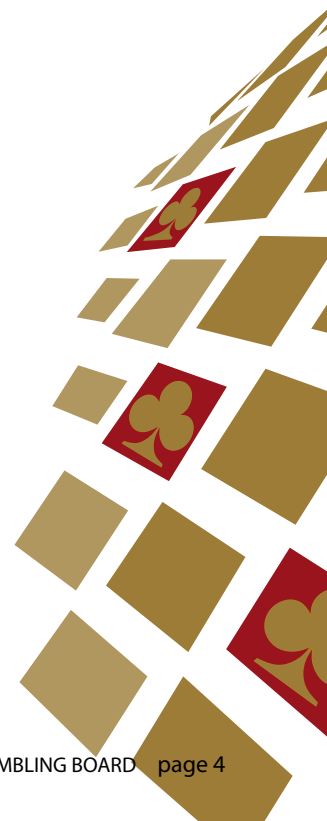
I would be remiss if I did not pay tribute to, and acknowledge the contributions of, two of our competent and dedicated managers who passed on during the course of the financial year under review, viz Mr. Dineo Dolamo, Manager: Gaming Control and Licensing and Mr. Hugh Pohl, Senior Manager: Law Enforcement. We are saddened by their respective untimely demise. Their collective contribution to the achievements of the Board is immeasurable and will certainly be missed.

In conclusion, we seize this opportunity to express our most sincere thanks to the MEC for Economic Development, Environment and Tourism, Hon. Pitsi Moloto, the Premier, Hon. Cassel Charlie Mathale, Members of the Executive Council, the Portfolio Committee overseeing the activities of our Board and all members of the Provincial Legislature for their support and guidance throughout the year.

Credit also goes to the Chief Executive and staff of the Board for a job well done.



**A.L. Mkhabela**  
Chairperson



# CORPORATE GOVERNANCE

## STRATEGIC GOALS

To regulate, control, and monitor gambling activities in the Province in-line with the Limpopo Province Gambling Act, Act 4 of 1996, as amended.

Regulate, control, and monitor all gambling activities in the Province to ensure integrity, fairness, and public confidence in legalised gambling establishments.

## INSTITUTIONAL ARRANGEMENTS

The Board was established in terms of the Limpopo Gambling Act, Act 4 of 1996, as Amended. As a Schedule 3C Public Entity listed in the PFMA, disclosure requirements are guided by "Protocol on Corporate Governance in the Public Sector 2002" and the "Code of Corporate Practices and Conduct" contained in the "Kings' Report on Corporate Governance for South Africa 2003".

The Board comprises eight Members including the Chairman. All Members, with the exception of the Chief Executive Officer are non-executive and meet at least bi-monthly. The current Board Members were appointed on the 9th December 2008.

The Board is the Accounting Authority of the Entity in terms of the Public Finance Management Act.

The remuneration of Members is determined and approved by the responsible Member of the Executive Council for Economic Development, Environment and Tourism.

Continuous education and training programmes are provided for all Members to improve and maintain effectiveness.

## INTERNAL AUDIT AND RISK MANAGEMENT

The internal audit of the Board is conducted in accordance with the standards set by the Institute of Internal Auditors and operates in terms of the charter. The charter sets out the internal audit's purpose, authority and responsibilities.

The internal risk management structure oversees significant risks. It ensures that the wide range of risks associated with diverse operations of the Board is effectively managed.

## CODE OF CONDUCT

The Code of Conduct as endorsed by the Board, requires all employees to maintain the highest standards of behavior, and provides clear guidance on the expected behavior for all employees.

## FUNCTIONS OF THE BOARD

The Board is responsible to oversee and control gambling activities in the Province through:

- Licensing of individuals and companies to conduct gambling and related activities.
- Registering of persons engaged in such activities.
- Registering of gambling devices.
- Collection of appropriate taxes and levies.
- Ensuring compliance with all legislation in connection with gambling.



# STATEMENT OF RESPONSIBILITY

The Public Finance Management Act, 1999 (Act No.1 of 1999), as amended, requires the Limpopo Gambling Board to ensure that the Board keeps full and proper records of its financial affairs. The Annual Financial Statements should fairly present the state of affairs of the Board, its financial results, its performance against predetermined objectives and its financial position at the end of the year in terms of Generally Accepted Accounting Practice.

The Annual Financial Statements are the responsibility of the Board; the external auditors are responsible for independently auditing and reporting on the financial statements. The Board is responsible for monitoring the preparation, the integrity of the Financial Statements and related information included in this report.

The Annual Financial Statements have been 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 (GRAP), and the provisions of the Public Finance Management Act (PFMA)(Act No.1 of 1999) as amended, as well as the other applicable legislation. These Annual Financial Statements are based on appropriate accounting policies, supported by reasonable and prudent judgments and estimates.

The Board has reviewed the budgets and cash flow forecasts for the year ended 31 March 2011. On the basis of this view of the current financial position, the Board Members have every reason to believe, that the Board will be a going concern in the year ahead and have continued to adopt the going concern basis in preparing the Financial Statements.

To enable the Board to meet the above responsibilities, the Board sets standards and implements systems of internal control and risk management that are designed to provide reasonable, but not absolute, assurance against material misstatements and losses. The entity maintains internal financial controls to provide assurance regarding:

- The safeguarding of assets against unauthorised use or disposition.
- The maintenance of proper accounting records and the reliability of financial information used within the operations or for publication.

The controls contain a self-monitoring mechanism, and actions are taken to correct deficiencies as they are identified. Even an effective system of internal control, no matter how well designed, has inherent limitations, including the possibility of circumvention or the overriding of controls.

An effective system of internal control, therefore aims to provide reasonable assurance with respect to the reliability of financial information and in particular, financial statements presentation. Furthermore, because of changes in conditions, the effectiveness on internal control may vary over time.

As part of the system of internal control, the internal audit function conducts operational, financial and specific audits.

The Board has reviewed the system of internal control and risk management for the period from 1 April 2010 to 31 March 2011. The Board is of the opinion that the entity's systems of internal control and risk management were effective for the period under review.

In the opinion of the Board, based on the information available to date, the Annual Financial Statements fairly present the financial position of the Board as at 31 March 2011 and the results of its operations and cash flow information for the year, and that the Code of Corporate Practices and Conduct has been adhered to.

The Annual Financial Statements for the year ended 31 March 2011, set out on pages 53 to 71 were approved by the Board on 1 August 2011.



**Ms. Y.S.M. Mathabatha**  
Chief Financial Officer



**Mr. Serobi Maja**  
Chief Executive Officer



**Mr. A.L. Mkhabela**  
Chairperson of the Board

# MONITORING AND COMPLIANCE COMMITTEE

The Monitoring & Compliance Committee was established in line with Section 16 of the Limpopo Gambling Act, to assist the Board in discharging its duties relating to the monitoring of compliance with the Limpopo Gambling Act, Regulations, Rules, the National Gambling Act and all applicable laws of the Republic of South Africa, the Bid Commitments of licensees and the conditions of the licence.

The Sub-Committee shall not perform any management functions or assume any management responsibilities. Except for functions that may from time to time be delegated to it to finalise, the Sub-Committee shall make recommendations to the Board for consideration and approval of compliance or non-compliance matters placed before it by Management.

Any delegated function or power so exercised shall, subject to Section 10(4)(a) be deemed to have been exercised or performed by the Board.

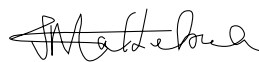
The Committee shall have as its main responsibilities, the following:

- 1) Consideration of compliance reports placed before it by Management relating to licensees.
- 2) Consideration of compliance or non-compliance matters with the conditions of the licence issued by the Board.
- 3) Consideration of corporate social investment issues made in bid commitments.
- 4) Consideration of the licensees' compliance with Broad Based Black Economic Empowerment issues.
- 5) Consideration of any other matters that may be referred to it by the Board.

During the year ended 31 March 2011, the Monitoring and Compliance Committee held two scheduled meetings.

The attendance of the Members was recorded as follows:

Members	Meetings attended
Mr. J.Z. Moolman	1 / 2
Mr. T.J. Mathebula	1 / 2
Ms. T.E. Motsepe	2 / 2



**Mr. T.J. Mathebula**  
Chairperson



# HUMAN RESOURCE COMMITTEE

The Limpopo Gambling Board established a committee known as the Human Resource Committee to assist the Board in discharging its duties relating to the Human Resource Management, Performance Management, and Employee Relations Management.

The Committee shall not perform any management functions or assume any management responsibilities. It provides a forum for discussing Human Resource activities and developing relevant recommendations for consideration by the Board.

The Committee shall mainly make recommendations to the Board for its approval or final decision. The membership, resource, responsibilities and authorities (composition, functions and operation) of the Committee to perform its role effectively, are stipulated in these Terms of Reference, which may be amended by the Board from time to time.

The Human Resource Committee will have the following as its responsibilities:

- 1) To ensure that the Board adheres to the employment practices in line with the Labour Relations Act, Act No. 65 of 1995, as amended and all other Human Resource related legislation.
- 2) To ensure that the Limpopo Gambling Board complies with relevant laws, regulations and codes of business practices with regard to the Human Resource.
- 3) To act as the Board's Employment Conditions Committee in line with the Board's approved Human Resource Policy.
  - Considers and makes recommendations to the Board on matters related to senior/executive human resources management (Senior/executive management structure, process for recruitment, selection and appointment of senior managers).
  - Considers and recommends to the Board the conditions of service for employees, including salary increases and performance management principles/systems at the Limpopo Gambling Board.
  - Considers and recommends to the Board the delegation of authority to line managers within the Limpopo Gambling Board.

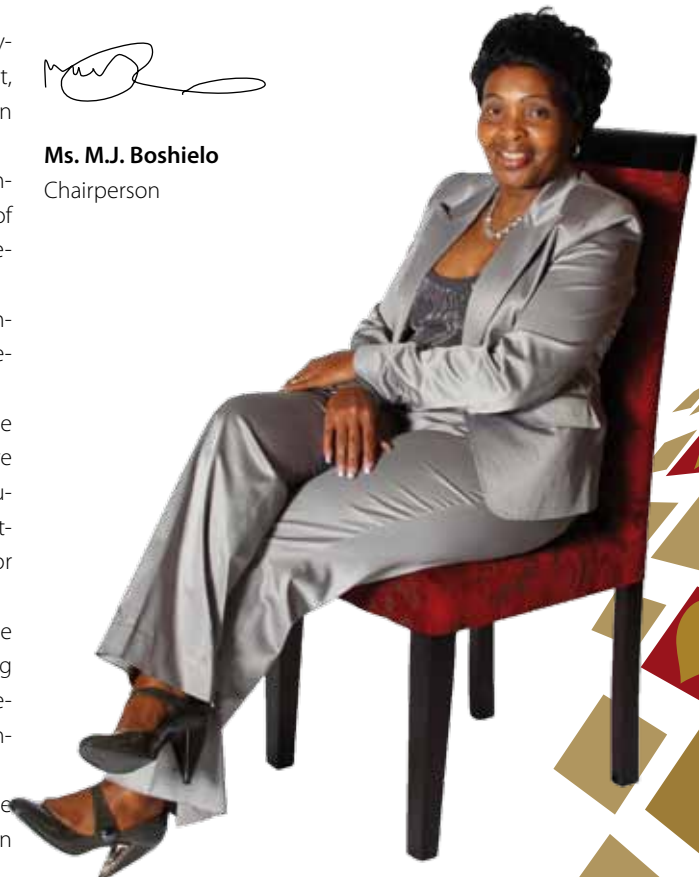
- To deliberate on any matter that in the opinion of the Chairperson (Which may be in consultation with the Chief Executive Officer) should serve at the Board's Human Resource Committee prior to serving at the Board.
- To establish sub committees/tasks teams as it deems fit.

During the year ended 31 March 2011, the Human Resource Committee held three scheduled meetings and three special meetings. The attendance of the members was recorded as follows:

Members	Attended meetings/Scheduled meetings	Special meetings
Ms. M.J. Boshielo	2/3	3/3
Ms. T.E. Motsepe	3/3	2/3
Mr. T.J. Mathebula (Appointed in October 2011)	1/3	2/3



**Ms. M.J. Boshielo**  
Chairperson



# CHIEF EXECUTIVE'S

# overview

As the Executive Management of the Board, it is indeed our greatest pleasure to, first and foremost, express our most sincere thanks to the Chairman of the Board, Mr. A.L. Mkhabela and all members for the support and guidance we received from them on a number of fronts.

As a direct consequence of the support we received from them during the course of the 2010/11 Financial Year, we managed to a very large extent, to achieve the objectives that we set for ourselves at the beginning of the year as outlined in the Strategic and Annual Performance Plans of the Board. Our Monitoring and Compliance as well as the Law Enforcement Business Units successfully ensured that the licensed gambling operators continued to comply with our Provincial Gambling Act, the National Gambling Act and all other applicable laws of the Republic. In addition to this assignment, the Law Enforcement Unit arrested and prosecuted over three hundred illegal gambling operators in the Province.

## CORPORATE GOVERNANCE

As the Board, we continued to ensure that all relevant policies are developed in order to promote the smooth functioning of the institution. Guided by these policies, we minimised all potential risks that at times are characteristic of public entities. As these policies are not static in nature, we continued to review some of them in order to align them with current trends and the applicable Labour Legislation.

Furthermore, we went on to appoint various Committees of the Board to ensure compliance with issues of corporate governance. For instance, the following Committees were established and functioned very smoothly during the course of the year; Audit, Employment Equity, Risk Management, Monitoring and Compliance, Budget, Fraud and Corruption, Bid Adjudication, Management and Human Resources.

## EXTERNAL STAKEHOLDERS

In order for the Board to promote the establishment of uniform norms and standards in the South African and international gambling arena, the Executive Management continued to serve on fora established nationally. These are: The Forum of Chief Executives of Gambling Boards, the Legal and Compliance Sub-Forum, Law Enforcement

Sub-Forum, IT Sub-Forum and the Horseracing and Betting Sub-Forum. Furthermore, the Board, as a founder member of the Gaming Regulators of Africa Forum (GRAF), continued to play a leading role in the affairs of this continental body.

In addition to these, as one of the leading members of the International Association of Gaming Regulators comprising over forty five gaming jurisdictions of the world, Limpopo Gambling Board through its Chief Executive, became elected as the Presidency of this world body at its Annual Convention in Washington D.C, USA, for the 2010/11 Financial Year. This made it possible for this Association to choose South Africa as the venue and host for its Annual Convention for the 2011 year. This Annual Convention is scheduled to take place at the Cape Town International Convention Centre in October 2011.



## SKILLS DEVELOPMENT

In line with the National imperatives to develop the skills of employees, the Board through its Human Resources Unit, continued to send officials for training in the various fields. Members of the Board also attended some Conferences both in the country and abroad to keep themselves abreast of developments in the regulation of the gaming industry.

## MONITORING AND COMPLIANCE

As the core mandate of the Board is to license and regulate gambling in the Province, the Board, through its Auditors and Inspectors, continued to visit at very regular intervals, the two Casinos, Limited Payout Machine Sites, offices of the one licensed Gaming Machine Route Operator, the Totalisator Agencies and Bookmakers to ensure compliance with the Gambling Act, Regulations and Rules as well as to ensure that the correct levies and taxes are paid to Government.

## THIRD CASINO LICENCE

On the 9<sup>th</sup> December 2010, the Board issued the third and final casino licence for the Province. This Casino with its hotel and conference centre will be established in the Tubatse/Burgersfort Municipality. The projected capital investment of the casino development is R236 million and it is expected to employ four hundred people during the construction phase and one hundred and eighty during the operational phase. In terms of their bid commitment, the Casino is scheduled to be operational by the year 2013.

## BOOKMAKERS

Five Bookmakers opened for business in Polokwane, Tzaneen, Makhado/Louis Trichardt, Mokopane and Burgersfort. As a result of these outlets, 44 people were employed.

## LAW ENFORCEMENT

The Unit continued to arrest and prosecute illegal gambling operators in the Province. In terms of the National statistics, the Limpopo Law Enforcement Unit continued to lead all other Gambling Boards in terms of the arrests and successful prosecution of Fahfee operators. The few illegal gambling machines that found their way to the Province were confiscated and destroyed after the successful prosecution of offenders. As a result of these ef-

orts to deal with illegal operators, the Law Enforcement Unit received the Best Service Delivery Team, (1st prize) and Best Innovative Team (2<sup>nd</sup> prize) awards from the Department of Economic Development, Environment and Tourism.

## RESPONSIBLE GAMBLING

It is a common phenomenon that gambling at times leads to addiction and socio-economic problems for the punters. The South African National Responsible Foundation through its Agency, the Responsible Gambling Programme, continued to counsel and treat those adversely affected by gambling. As the Board, an amount of R500 000.00 was set aside for campaigns through the mass media, pamphlets and posters at strategic places to appeal to communities to gamble responsibly as well as to appeal to those affected to call a toll free helpline at all times. In terms of available statistics, we are proud to report that the percentage of problem gamblers has remained extremely negligible. As the National Gambling Act provides, we seize this opportunity to appeal to families of affected persons that may be in denial, to approach the courts with affidavits in order to obtain a court order that will make it mandatory for gambling operators to exclude such persons from all gambling venues in the Province and Nationally.

## CONCLUSION

In conclusion, we express our indebtedness to the Department of Economic Development, Environment and Tourism, to the MEC, Hon. Pitsi Moloto, the Provincial Executive Council, all Honourable Members of the Legislature and all our external stakeholders for the significant support we received from them without exception. Credit also goes to all the South African Gambling Boards, the International Community of Gambling Regulators and industry players for their support and positive contributions.



**Mr. Serobi Maja**  
Chief Executive Officer

President of the International Association of Gaming Regulators  
Director of the South African Responsible Gambling Foundation

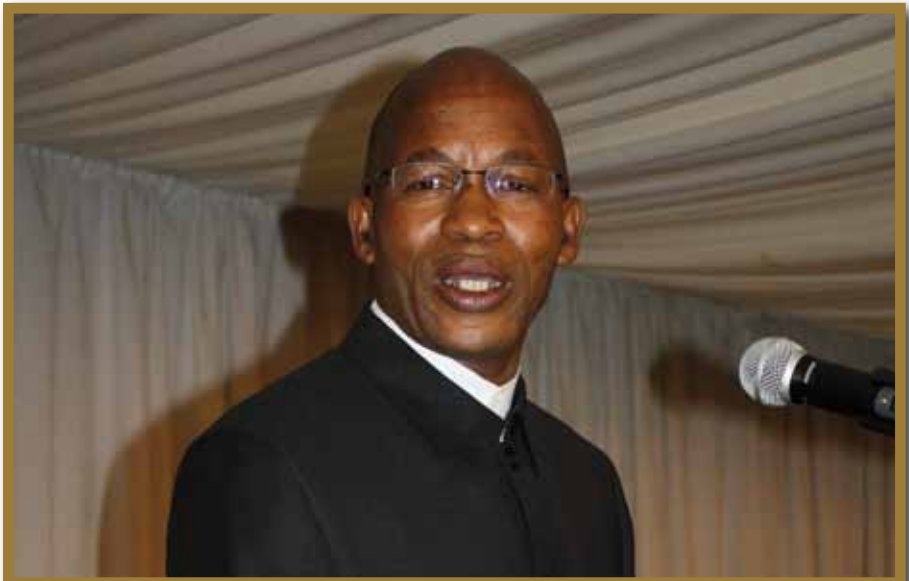


## BMF - CEO SERIES

Mr. Maja receives the Service Excellence Award from Mr. Jimmy Mangi (BMF) and Ms. Kurisani Maswangangi (BMFL)



Hon. Pitso Moloto - MEC Economic Development, Environment & Tourism



Mr. Mkhabela - LGB Chairperson





# EVENTS



Women's Day 2010



Heritage Day 2010



Employee Wellness Day 2010

# SPECIAL PROJECTS BY THE CASINOS

## Khoroni Hotel Casino Convention Resort

Type	Sponsored Organisation	R
<b>April '10</b>		<b>R 4,409.00</b>
Sports		R 4,409.00
	Elvis Manwadu	R 3,909.00
	Rofhiwa Manwadu	R 500.00
<b>May '10</b>		<b>R 11,693.31</b>
Education		R 10,133.31
	Mashau Creche	R 10,133.31
Other		R 1,560.00
	Thohoyandou Black Management Forum	R 1,560.00
<b>June '10</b>		<b>R 1,000.00</b>
Sports		R 1,000.00
	Endro Race	R 1,000.00
<b>July '10</b>		<b>R 15,349.09</b>
Education		R 4,689.09
	Mashau Creche	R 4,689.09
Health & Welfare		R 10,260.00
	Radio Jakaranda	R 10,260.00
Sports		R 400.00
	Rofhiwa Manwadu	R 400.00
<b>August '10</b>		<b>R 7,660.94</b>
Education		R 2,175.94
	Mashau Creche	R 2,175.94
Other		R 5,390.00
	Casual Day Sticker	R 5,390.00
Sports		R 95.00
	Rofhiwa Manwadu	R 95.00
<b>September '10</b>		<b>R 5,750.00</b>
Education		R 4,450.00
	Khoroni Community Educational Trust	R 2,500.00
	Mashau Creche	R 1,950.00
Health & Welfare		R 1,000.00
	Casual Day Sticker	R 1,000.00
Other		R 0.00
	Bird Guide office	R 0.00
	Fholisani Construction	R 0.00
Sports		R 300.00
	Rofhiwa Manwadu	R 300.00



Type	Sponsored Organisation	R
<b>October '10</b>		<b>R 360.45</b>
Community		R 164.45
	Fholisani Construction	R 164.45
Other		R 196.00
	Multid Fohetzner	R 196.00
<b>November '10</b>		<b>R 23,775.88</b>
Health & Welfare		R 3,275.88
	Light of Mercy Community Care	R 3,275.88
Sponsorship		R 20,000.00
	BMF	R 20,000.00
Sports		R 500.00
	Elvis Manwadu	R 500.00
<b>December '10</b>		<b>R 1,707.35</b>
Other		R 1,707.35
	Child Welfare SA	R 1,707.35
<b>January '10</b>		<b>R 61,500.00</b>
Education		R 61,500.00
	Khoroni Community Educational Trust	R 61,500.00
<b>February '10</b>		<b>R 560.00</b>
Sports		R 560.00
	Rofhiwa Manwadu	R 560.00
<b>TOTAL</b>		<b>R 133,766.02</b>



## Meropa Casino and Entertainment World

Type	Sponsored Organisation	R
<b>April '10</b>		<b>R 21,764.45</b>
Education		R 10,764.45
	Seshego Ikageng Drop in Centre	R 10,764.45
Health & Welfare		R 11,000.00
	Samaritan Children's Home	R 11,000.00
<b>June '10</b>		<b>R 153,609.00</b>
Community		R 15,000.00
	Time to Give Back	R 15,000.00
Education		R 65,434.00
	Phologo Drop in Centre	R 15,200.00
	Swartpan Farm Educare Centre	R 9,195.00
	Thakgalang Primary School	R 41,039.00
Health & Welfare		R 54,001.00
	Cansa	R 2,500.00
	Child Line Limpopo	R 15,401.00
	Mamothabadilo Disability Centre	R 9,736.00
	Samaritan Children's Home	R 7,867.00
	Victim Empowerment	R 18,497.00
Other		R 19,174.00
	Equity in Action	R 3,000.00
	Retail Corp Brand SA	R 5,075.00
	uMephi-Ngwena House	R 11,099.00
<b>July '10</b>		<b>R 5,000.00</b>
Health & Welfare		R 5,000.00
	Cansa	R 5,000.00
<b>August '10</b>		<b>R 3,905.00</b>
Other		R 3,905.00
	Peloa Graphics	R 3,905.00
<b>September '10</b>		<b>R 12,381.00</b>
Community		R 4,346.00
	Time to Give Back	R 4,346.00
Education		R 1,841.00
	Meisie Maredi	R 1,841.00
Health & Welfare		R 6,194.00
	Cansa	R 1,274.00
	Lekgotla la Digole	R 2,400.00
	Marry-Eve Dissability	R 2,520.00

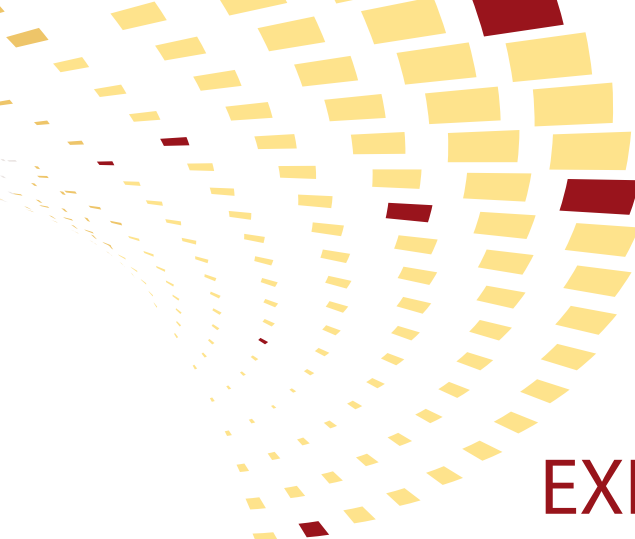
Type	Sponsored Organisation	R
<b>October '10</b>		<b>R 6,592.00</b>
Health & Welfare		R 3,817.00
	Cansa	R 3,817.00
Other		R 2,775.00
	CSI Conference at Sun City	R 2,775.00
<b>November '10</b>		<b>R 24,318.00</b>
Health & Welfare		R 3,450.00
	Aids Week Bannerthon	R 3,450.00
Other		R 868.00
	Siyakhula Trust	R 868.00
Sponsorship		R 20,000.00
	Lica	R 20,000.00
<b>December '10</b>		<b>R 28,908.86</b>
Education		R 24,730.70
	Hadashah Learning Centre	R 5,000.00
	Re-Gaugetswe Drop in Centre	R 19,730.70
Health & Welfare		R 178.16
	World Aids Day	R 178.16
Sponsorship		R 4,000.00
	Limpopo first lady trust	R 4,000.00
<b>January '10</b>		<b>R 48,488.59</b>
Community		R 3,366.62
	Time to Give Back	R 3,366.62
Education		R 44,436.00
	Setotoloane Elsen Secondary School	R 39,356.00
	Time to Give Back	R 5,080.00
Health & Welfare		R 685.97
	Re-Gaugetswe Drop in Centre	R 685.97
<b>February '10</b>		<b>R 461,489.56</b>
Community Development		R 418,615.13
	Peloa Graphics	R 418,615.13
Education		R 29,517.00
	Setotoloane Elsen Secondary School	R 29,517.00
Health & Welfare		R 6,446.81
	Re-Gaugetswe Drop in Centre	R 6,446.81
Other		R 3,450.00
	Seshego Victim Support Centre	R 3,450.00
Sports		R 3,460.62
	South African Red Cross Society	R 3,460.62
<b>March '10</b>		<b>R 57,603.00</b>
Health & Welfare		R 36,050.00
	Cansa	R 30,000.00
	South African Red Cross Society	R 6,050.00
Sports		R 21,553.00
	Peter Mokaba Football Club	R 13,158.00
	Queens Football Club	R 8,395.00
<b>TOTAL</b>		<b>R 824,059.46</b>

# BOARD MEMBERS



*Standing left to right: Mr. J.J. Moolman, Ms. M.J. Boshielo, Mr. T.J. Mathebula*

*Seated left to right: Ms. N.N. Mushwana, Mr. Serobi Maja (Chief Executive Officer), Mr. A.L. Mkhabela (Chairperson), Mr. K.J. Sithole (Deputy Chairperson), Ms. T.E. Motsepe*



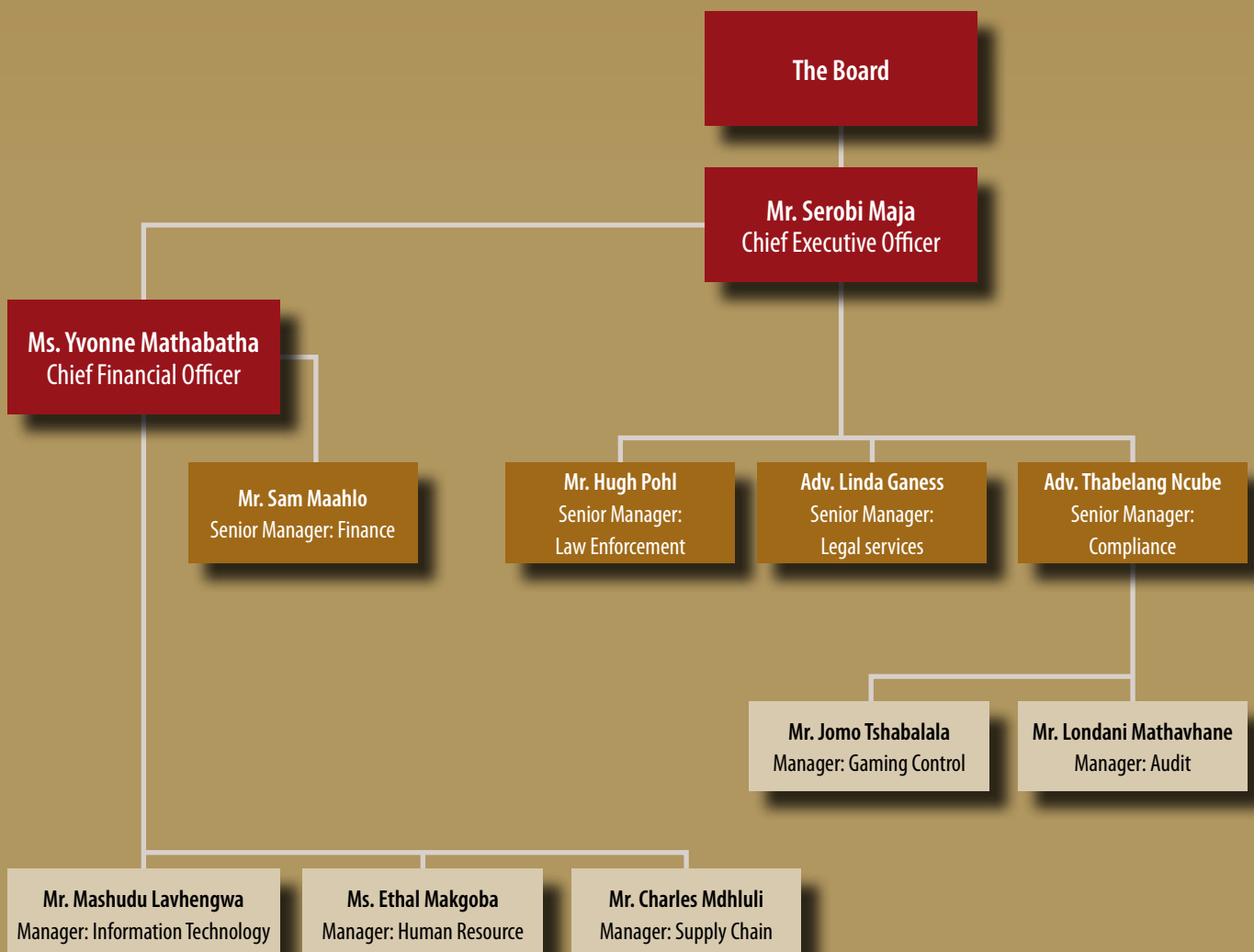
# EXECUTIVE DIRECTORS



**Left to right:** Ms. Yvonne Mathabatha (Chief Financial Officer), Mr. Sam Maahlo (Senior Manager: Finance), Mr. Serobi Maja (Chief Executive Officer), Adv. Linda Ganess (Senior Manager: Legal Services)

**Insert:** Mr. Hugh Pohl (Senior Manager: Law Enforcement) † 27/02/2011, Adv. Thabelang Ncube (Senior Manager: Compliance)

# ADMINISTRATIVE INFORMATION



# PERFORMANCE REPORT





# CHIEF EXECUTIVE OFFICE



***Standing left to right:*** Ms. Thobya Mashamaite (Executive Secretary: CEO Office), Ms. Merriam Machete (Secretary: Legal Services)

***Seated left to right:*** Ms. Adel Koekemoer (Personal Assistant to the CEO), Mr. Serobi Maja (Chief Executive Officer), Adv. Linda Ganess (Senior Manager: Legal Services)



Objective	Key Performance Indicator	Target	Performance Results and Achievements	Variations
<b>CHIEF EXECUTIVE OFFICER</b>				
Develop, plan, monitor and report on the strategic plan of the Board	Number of plans	1 annual performance plan	1 annual performance plan	
	Number of quarterly and annual monitoring reports	4 quarterly reports 1 Annual report	4 quarterly report 1 Annual report	
Develop communication strategy for the Board	Approve communication strategy	Approve communication strategy	Communication strategy approved	
<b>LEGAL SERVICE</b>				
To ensure adherence to the Act, Regulations and legislation and to review the relevant gambling legislation	Secretariat to the Board	4 Board Meetings	6 Board Meetings	Special Board Meetings were held during licensing process of the 3 <sup>rd</sup> Casino
	Number of reports	4 reports	4 reports done	

# COMPLIANCE



*Left to right: Adv. Thabelang Ncube (Snr. Manager Compliance), Ms. Penny Venter (Secretary: Compliance)*



# INVESTIGATIONS AND LICENSING



*Left to right: Mr. Jomo Tshabalala (Manager), Mr. John Molele, Mr. Tshiano Madadzhe  
Absent: Mr. Hosea Nyama, Mr. Robert Molepo*

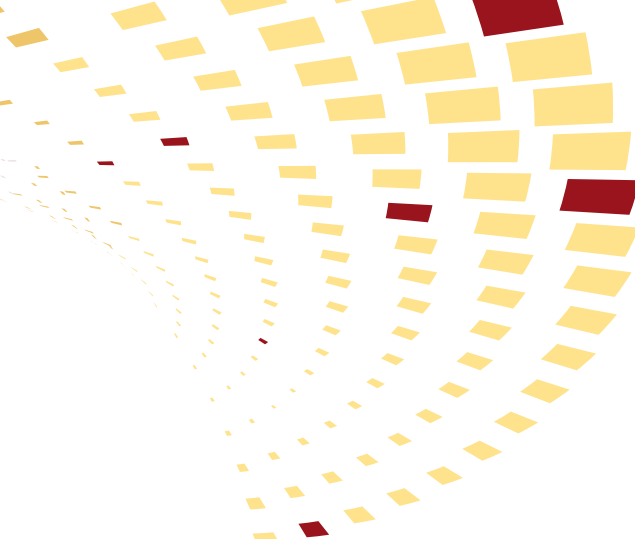
# GAMING CONTROL UNIT



*Standing left to right: Mr. Fred Scott, Mr. Leonard Ratshilumela, Mr. Samuel Kgame*

*Seated left to right: Mr. Nelson Mathabatha, Mr. Jomo Tshabalala (Manager), Mr. Shaun Wilhase*

*Absent: Ms. Lolo Shadung*



# AUDIT UNIT



*Left to right: Mr. Mmutla Malothane, Mr. Londani Mathavhane (Manager), Ms. Renalda Phiri, Ms. Naomi Molepo  
Absent: Mr. Mpho Ramothwala, Mr. Alfred Beetha, Ms. Hellen Mamabolo*

# PERFORMANCE REPORT

Objective	Key Performance Indicator	Target	Performance Results and Achievements	Variances
<b>COMPLIANCE</b>				
Licensing of all types of licences as prescribed in the ACT	Issuing of the third Casino Licence	Issuing of a Casino Licence and the Development of the Casino. Announcement of the Board's decision. Granting of licence. Development of the Casino commences	The Casino Licence was granted and announced on 9 December 2010. Development of Casino not commenced	To be commenced in 2011/12
	Issuing of additional machine Route Operator Licences	Tendering process for additional Route Operator licences to be issued	The tendering process for an Additional Gaming Machine Route Operator in progress	The Board will adjudicate on the Application for a Gaming Machine Route Operator Licence Applicant during 2011/12 financial year
	Licensing of 1/3 (3000) of the total LPMs allocated by National Gambling Board and Site Operator Licences	Tendering process for additional 562 LPMs and issuing of Site Operator Licences	The Rolling out process for LPMs is pending	The Board will adjudicate on the Application for a Gaming Machine Route Operator Licence Applicant during 2011/12 financial year ; and The existing Gaming Machine Route Operator has submitted twenty four (24) applications for LPM Site Licences
	Issuing of Bookmaker's licences and Totalisator's Branches/Agencies	Issuing of 4 Bookmakers Licences	4 Bookmakers not issued	Awaiting the Board's consideration and approval of the Request For Applications
Programme for ensuring Responsible Gambling in the Province	Issuing of Bingo Licences	Development rules and RFA for Bingo	Drafted Bingo rules Request for Applications not done	Awaiting the Board's consideration and approval of Bingo rules
	Number of Responsible Gambling Reports	Four reports on the implementation of the responsible gambling strategy	Four reports on the implementation of the responsible gambling strategy Meropa: 94 Khoroni: 36 Vukani: 127	The number of applications received were more or less than the number of applications expected
Probit Investigations/licensing of employees	Probit Investigations/licensing of employees	Meropa: 123 Khoroni: 67 Vukani: 207	Meropa: 94 Khoroni: 36 Vukani: 127	
	Number of site visits to casinos to conduct employee registration checks	Khoroni: 12 Meropa: 12 Vukani: 12	Khoroni: 12 Meropa: 12 Vukani: 12	
Properly regulated gambling Industry				



Objective	Key Performance Indicator	Target	Performance Results and Achievements	Variations
<b>COMPLIANCE (CONTINUED)</b>				
<b>GAMING CONTROL</b>				
	Approval of movements of gaming equipment	In the Province: 75	In the Province: 111	The Board received more applications than expected
		Out of the Province: 96	Out of the Province: 28	The Board received less requests than expected
		Within the Province: 107	Within the Province: 6	The Board received less requests than expected
		Through the Province: 460	Through the Province: 400	The Board received less requests than expected
	Approval of gaming software and hardware equipment	Software: 705 Hardware: 73	Software: 416 Hardware: 49	The Board received less requests than expected
Number of gaming control technical and statutory compliance checks	Khoroni: 12 Meropa: 12	Khoroni: 12 Meropa: 11	Meropa - the Monthly Compliance Inspection for April 2010 due to high volume of work that needed to be carried out	
Number of Investigations on punters disputes and cheating activities	Disputes lodged with Casino Licensees - Khoroni: 120 Meropa: 120	Khoroni: 125 Meropa: 117	Khoroni - More disputes were lodged than expected Meropa - the Monthly Compliance Inspection for the month of April was not conducted	
		Investigate all disputes lodged with the Board	7 Disputes were lodged with the Board and has been investigated	

### AUDITS: CASINOS AND LPMs

Properly regulated gambling Industry.	Number of Levy Audits: Casinos	Khoroni: 8 Meropa: 8	Khoroni: 8 Meropa: 8	
	Number of Compliance Audits: Casinos	Khoroni: 4 Meropa: 4	Khoroni: 4 Meropa: 4	
	Number of Levy Audits: LPMs	Vukani: 8	Vukani: 8	
	Number of Compliance Audits: LPMs	Vukani: 4	Vukani: 4	
	Number of Compliance Audits: LPM Sites	Vukani: 4	Vukani: 4	
	Number of Monitoring of Licensees Bid Commitments: Casinos	Khoroni: 4 Meropa: 4	Khoroni: 4 Meropa: 4	



Objective	Key Performance Indicator	Target	Performance Results and Achievements	Variations
<b>COMPLIANCE (CONTINUED)</b>				
<b>BETTING</b>				
	Number of Levy Audits: Bookmakers	Eight Bookmakers: Four per Licensee (24)	Six Bookmakers : One per Licensee (16)	Hollywood Thohoyandou and BetSA Polokwane are yet to open for business. The Board has granted them until 31 August 2011 to open for business  October to December 2010 - Four out of six levy audits were not completed during the Quarter, due to system problems experienced with TurfSport Wagering Software  January to March 2011 - Four out of six levy audits were not completed during the Quarter, due to system problems experienced with TurfSport Wagering Software
	Number of Compliance Audits: Bookmakers sites	Eight Bookmakers: Four per Licensee	Six Bookmakers : One per Licensee  Betting World = 4 BetSA = 3 (Opened June 2010) Hollywood Tzaneen = 2 (Opened November 2010) Hollywood Polokwane = 1 (Opened February 2011) Hollywood Mokopane = 2 (Opened September 2010) Hollywood Makhado = 2 (Opened October 2010)	With an exception to Betting world, all other Bookmakers opened for business during the financial year, hence less than four Compliance Audits during the financial year
	Number of Levy Audits: Totalisators	Phumelela: 4	Phumelela: 8	The newly Licensed bookmakers were expected to have opened for business by 01 April 2010, however they only started operating by June 2010, hence due to the availability of extra time to the Auditors more Phumelela Levy Audits were conducted during the April to June 2010
	Number of Compliance Audits: Totalisators sites	18 Phumelela Sites: Four per site	18 Phumelela Sites : 4 per site	



## COMPLIANCE STATISTICS

Table 1 -Number of Gambling Machines

Casino	Total
Meropa Casino	374
Khoroni Casino	140
<b>Total</b>	<b>514</b>

Table 2 - Gambling Tables

Casino	American Roulette	Blackjack	Poker	TouchBet Roulette	Total
Meropa Casino	9	5	2	1	17
Khoroni Casino	4	3	0	0	7
<b>Total</b>	<b>13</b>	<b>8</b>	<b>2</b>	<b>1</b>	<b>24</b>

Table 3 – Number of LPMs and LPM Sites

Municipal District	Number of LPMs	Number of LPM Sites
Capricorn	87	19
Waterberg	68	16
Mopani	90	18
Sekhukhune	132	29
Vhembe	53	12
<b>Total</b>	<b>430</b>	<b>94</b>

Table 4 – Casino Gambling Machines Testing

Casino	Monthly Compliance Inspections	Total
Meropa	120	120
Khoroni	120	120
<b>Total</b>	<b>240</b>	<b>240</b>

Table 5 – LPM Site Inspections

Vukani Gaming	Capricorn	Waterberg	Mopani	Sekhukhune	Vhembe	Total
Total	19	20	20	20	20	99

Table 6 – Gambling Machines Distribution

In the Province	Out of the Province	Within the province	Through the province	Total
111	28	6	400	545

Table 7 - LOC Approvals

Software	Hardware	Total
416	49	465

Table 8 – Licensing

	Meropa Casino	Khoroni Casino	Vukani Gaming Limpopo- LPM Route Operator	Vukani - LPM Sites	Hollywood - Book-maker	BetSA - Book-maker
New Licences: Key Employees	5	1	1	8	6	3
New Licences: Other Employees	29	13	0	77	26	9
Renewals: Key Employees	11	5	2	17	0	0
Renewals: Other Employees	49	17	0	22	0	0
<b>Total</b>	<b>94</b>	<b>36</b>	<b>3</b>	<b>124</b>	<b>32</b>	<b>12</b>

Table 9 -Number of employees

	Khoroni Casino	Meropa Casino	Vukani – LPM Route Operator	Vukani – LPM Sites	Betting World	Phumelela	Hollywood - Book-maker	BetSA - Book-maker
Total employees	183	228	24	345	5	101	32	12
PDI	173	215	21	262	4	100	31	10
Non - PDI	10	13	3	83	1	1	1	2

PDI=Previously Disadvantaged Individuals

# ANNEXURE A

## GAMBLING PERFORMANCE

### 1. PATRONAGE - CASINOS

The estimated number of patrons, who visited the two casino licensees, during the 2010/11 and 2009/10 financial years, amounted to 1 552 513 and 1 269 505 respectively. On a quarterly basis the numbers of estimated visitors were as follows at the casino licensees.

QUARTER ENDED	June	Sept	Dec	March	Total
2010/11	340,825.00	362,246.00	510,765.00	338,677.00	<b>1,552,513.00</b>
2009/10	319,146.00	298,715.00	327,739.00	323,905.00	<b>1,269,505.00</b>
Variance	21,679.00	63,531.00	183,026.00	14,772.00	<b>283,008.00</b>
Variance %	7%	21%	56%	5%	

### 2. PATRONAGE SPEND PER VISIT - CASINOS

Punters' average spends per quarter and per day during the 2010/11 and 2009/10 financial years were as follows:

#### Average spend per Punter per Quarter

QUARTER ENDED	June	Sept	Dec	March
2009/10	3724.97	3817.32	3792.79	3566.57
2010/11	3834.41	3789.69	3580.61	3814.39
Variance	109.44	-27.63	-212.18	247.82
Variance %	3%	-1%	-6%	6%

#### Average spend per Punter per Day

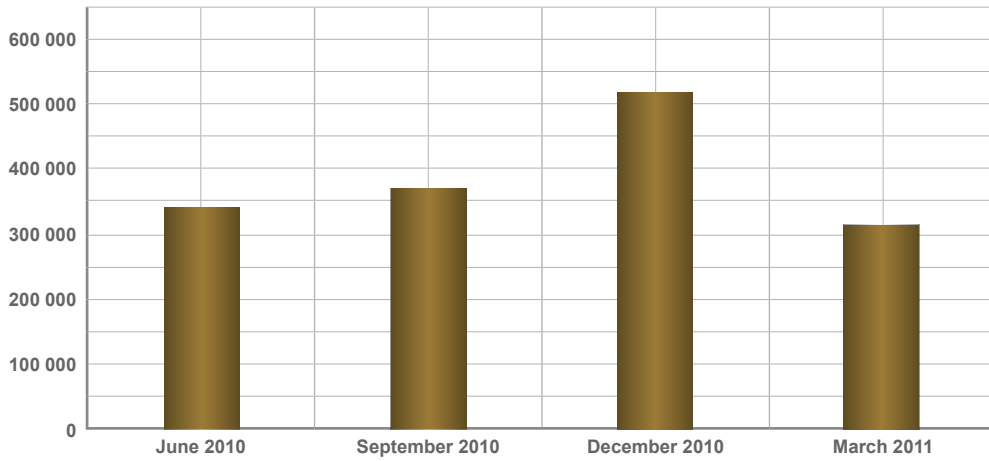
QUARTER ENDED	June	Sept	Dec	March
2009/10	40.93	41.49	41.23	39.63
2010/11	42.14	41.19	38.92	41.46
Variance	1.20	-0.30	-2.31	1.83
Variance %	3%	-1%	-6%	4%

### 3. TOTAL MONEY WAGERED

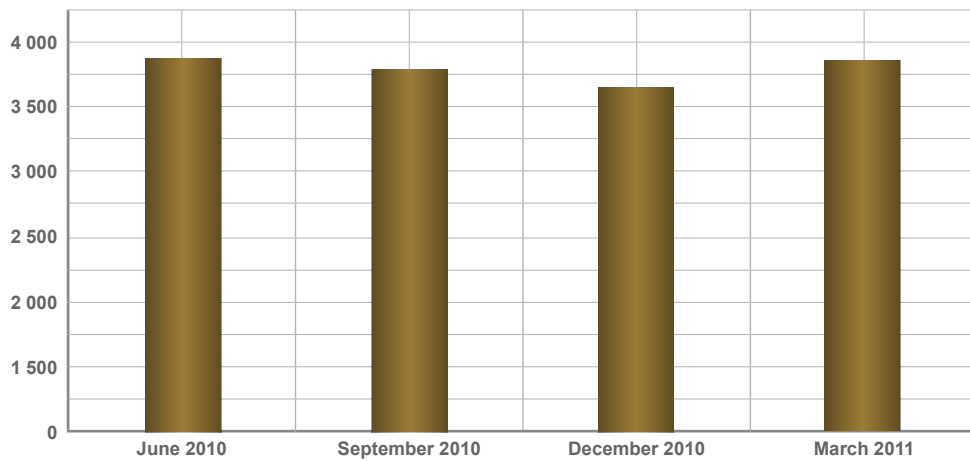
The total money wagered at the Licensees, during the 2010/11 and 2009/2010 financial year was as follows:

	Casinos (R)	LPM Route Operators (R)	Totalisators (R)	Bookmakers (R)	Total (R)
Turnover/Total bets 2009/10	4,727,376,943.00	588,889,168.00	190,071,100.90	9,366,142.60	5,515,703,354.50
%	85.7%	10.7%	3.4%	0.2%	
Turnover/Total bets 2010/11	5,316,066,382.11	635,318,271.41	202,483,600.33	39,874,289.51	6,193,742,543.36
%	86%	10%	3%	1%	
Variance	588,689,439.11	46,429,103.41	12,412,499.43	30,508,146.91	678,039,188.86
Variance %	12%	8%	7%	326%	12%

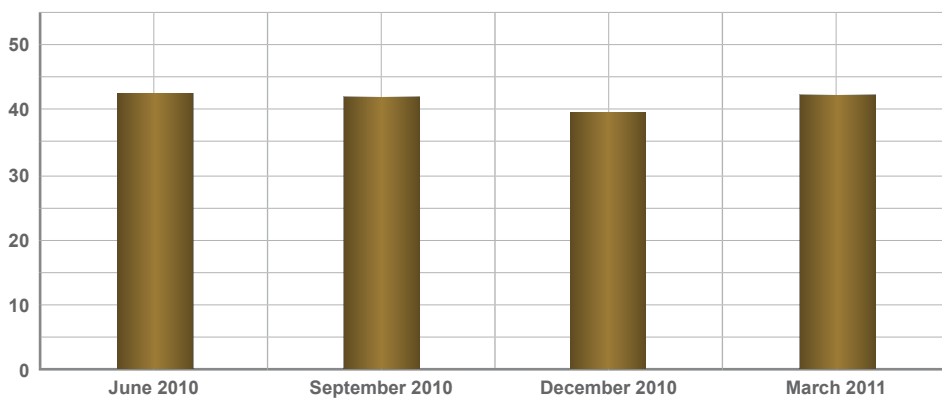
Overall there was a 12% (R 678, 039, 188.86) increase in the money wagered at the gambling institutions in the Limpopo Province. The high percentage increase of Bookmakers Turnover by 326% (R 30, 508, 146.91), from 2009/10 to 2010/11 financial year, is due to the increase in the number licensed Bookmakers, from one to five Bookmakers, who started operating between June 2010 and February 2011.



Graph 1: Patronage: Casinos



Graph 2: Average spend per punter per quarter



Graph 3: Average spend per punter per day



#### 4. GROSS GAMING REVENUE (GGR)

##### Casinos

The GGR generated by the Casino Licensees during the 2010/11 and 2009/10 financial years amounted to R 290, 275, 380.93 and R261, 988, 550.03 respectively. The GGR for 2010/11 increased by 11% from 2009/10 financial year. The monthly GGR generated by the licensees was as follows:

	APR %	MAY %	JUN %	JUL %	AUG %	SEP %	OCT %	NOV %	DEC %	JAN %	FEB %	MAR %
2010/11	7%	7%	9%	8%	7%	10%	7%	7%	11%	8%	8%	9%
2009/10	9%	7%	7%	9%	7%	9%	7%	8%	10%	8%	8%	12%

##### LPMs

The GGR generated by the LPM licensee during the 2010/11 and 2009/10 financial years amounted to R 65, 315, 577.46 and R 55, 956,014.50 respectively. The GGR for 2010/11 increased by 17% from 2009/10 financial year. The percentage of monthly GGR generated by the licensee was as follows:

	APR %	MAY %	JUN %	JUL %	AUG %	SEP %	OCT %	NOV %	DEC %	JAN %	FEB %	MAR %
2010/11	7%	7%	9%	7%	8%	9%	7%	10%	9%	7%	8%	10%
2009/10	9%	7%	7%	10%	8%	9%	7%	8%	11%	7%	8%	10%

#### 5. RETURN TO PLAYER PERCENTAGE (RTP\*\*)

The Casino Licensees Return to Player (RTP) percentage, for the 2010/11 and 2009/10 financial year was as follows:

RTP %												
	APR %	MAY %	JUN %	JUL %	AUG %	SEP %	OCT %	NOV %	DEC %	JAN %	FEB %	MAR %
2009/10	93.7	93.7	93.8	94.2	93.2	92.4	94.4	94.5	95	93.5	93.8	93.5
2010/11	94.0	93.7	94.1	94.0	93.7	94.3	93.6	93.7	94.1	93.9	93.8	94.1

Casinos Average RTP %: 2010/11 = 93.9 % (2009/10 = 93.8 %). The prescribed RTP for casinos is 80 %

The LPM Route Operator Return to Player (RTP) percentage, for the 2010/11 and 2009/10 financial years was as follows:

RTP %												
	APR %	MAY %	JUN %	JUL %	AUG %	SEP %	OCT %	NOV %	DEC %	JAN %	FEB %	MAR %
2009/10	88.5	89.1	88.9	89.2	89.1	89.3	89.2	89.4	89.2	89.3	89.3	89.3
2010/11	89.3	89.6	89.5	89.3	89.5	89.6	89.5	89.6	89.6	89.6	89.6	89.6

LPMs Average RTP %: 2010/11 = 89.45% (2009/10 = 89.2%). The prescribed RTP for LPMs is 75 %

\*\* RTP = 100 % less (Gross Gaming Revenue ÷ money wagered)

## 6. LEVIES COLLECTED PER MONTH FROM LICENSEES

Total levies generated by the licensed Casinos and LPM Route Operators during the 2010/11 and 2009/10 financial years were as follows:

MONTH	Casino Levies (R) 2010/11	Casino Levies (R) 2009/10	Variance (R)	Variance (%)	LPMs Levies (R) 2010/11	LPMs Levies (R) 2009/10	Variance (R)	Variance (%)
April	1,193,741.52	1,441,518.05	(247,776.53)	-17%	269,260.63	296,768.72	(27,508.09)	-10%
May	1,252,744.23	1,137,402.27	115,341.96	10%	274,065.66	233,380.06	40,685.60	15%
June	1,660,009.66	1,074,854.09	585,155.57	54%	363,853.49	243,515.86	120,337.63	33%
July	1,421,040.00	1,404,849.46	16,190.54	1%	292,806.36	322,483.32	(29,676.96)	-10%
August	1,294,725.68	1,032,542.52	262,183.16	25%	296,576.14	252,765.11	43,811.03	15%
September	1,767,135.71	1,408,627.91	358,507.80	25%	362,448.31	307,563.58	54,884.73	15%
October	1,245,182.54	1,133,942.59	111,239.95	10%	285,828.25	244,237.81	41,590.44	15%
November	1,261,467.15	1,255,128.22	6,338.93	1%	390,412.61	257,432.01	132,980.60	34%
December	1,971,793.48	1,593,525.54	378,267.94	24%	350,650.23	354,304.79	(3,654.56)	-1%
January	1,399,750.85	1,258,794.26	140,956.59	11%	293,709.75	234,647.15	59,062.60	20%
February	1,316,531.57	1,179,979.08	136,552.49	12%	331,687.60	261,068.07	70,619.53	21%
March	1,632,400.46	1,526,898.20	105,502.26	7%	407,635.62	349,194.38	58,441.24	14%
<b>TOTAL</b>	<b>17,416,522.85</b>	<b>15,448,062.19</b>	<b>1,968,460.66</b>	<b>13%</b>	<b>3,918,934.65</b>	<b>3,357,360.86</b>	<b>561,573.79</b>	<b>17%</b>

The casino levies for 2010/11 financial year increased by 13% (R1,968,460.66); whereas LPM levies increased by 17% (R561,573.79).

Total levies generated by the licensed Totalisators and Bookmakers during the 2010/11 and 2009/10 financial year were as follows:

MONTH	Totalisator Levies (R) 2010/11	Totalisator Levies (R) 2009/10	Variance (R)	Variance (%)	Bookmakers Levies (R) 2010/11	Bookmakers Levies (R) 2009/10	Variance (R)	Variance (%)
April	496,412.70	636,462.54	(140,049.84)	-22%	36,229.81	10,035.54	26,194.27	261%
May	512,002.55	470,301.09	41,701.46	9%	36,924.01	13,876.50	23,047.51	166%
June	649,955.63	485,725.98	164,229.65	34%	37,253.74	15,577.44	21,676.30	139%
July	490,888.79	596,314.72	(105,425.93)	-18%	25,419.24	11,224.56	14,194.68	126%
August	529,575.52	493,706.78	35,868.74	7%	37,073.95	19,955.71	17,118.24	86%
September	688,804.32	636,502.21	52,302.11	8%	32,134.58	13,215.50	18,919.08	143%
October	566,036.90	510,121.30	55,915.60	11%	66,374.38	12,311.71	54,062.67	439%
November	579,807.60	522,662.75	57,144.85	11%	54,450.25	12,384.71	42,065.54	340%
December	781,130.14	714,750.91	66,379.23	9%	69,941.26	17,399.27	52,541.99	302%
January	577,802.03	482,528.03	95,274.00	20%	67,415.12	15,540.53	51,874.59	334%
February	542,485.98	482,143.45	60,342.53	13%	107,762.32	13,518.22	94,244.10	697%
March	672,023.80	640,422.64	31,601.16	5%	101,335.15	16,172.03	85,163.12	527%
<b>TOTAL</b>	<b>7,086,925.96</b>	<b>6,671,642.40</b>	<b>415,283.56</b>	<b>6%</b>	<b>672,313.81</b>	<b>171,211.72</b>	<b>501,102.09</b>	<b>293%</b>

The high positive variance percentage of 293% with respect to Bookmaker levies is due to five more licensed Bookmakers opening for business during the financial year.

## 7. UNCLAIMED DIVIDEND

Unclaimed dividend levy from the Totalisator for 2010/11 and 2009/10 were R 250, 175.79 and R 242, 914.62 respectively. The levy increased by 3% (R 7, 261.17) compared to the previous year.

MONTH	Unclaimed Dividend Levy (R) 2010/11	Unclaimed Dividend Levy (R) 2009/10	Variance (R)	Variance (%)
April	14,609.52	17,801.51	(3,191.99)	-18%
May	19,763.92	16,372.28	3,391.64	21%
June	21,101.57	16,779.90	4,321.67	26%
July	16,447.43	16,795.28	(347.85)	-2%
August	21,968.65	15,149.02	6,819.63	45%
September	16,803.00	19,826.76	(3,023.76)	-15%
October	14,647.14	21,784.25	(7,137.11)	-33%
November	25,114.06	16,104.13	9,009.93	56%
December	23,565.00	22,682.53	882.47	4%
January	23,759.46	31,460.37	(7,700.91)	-24%
February	25,057.62	27,304.99	(2,247.37)	-8%
March	27,338.42	20,853.60	6,484.82	31%
<b>TOTAL</b>	<b>250,175.79</b>	<b>242,914.62</b>	<b>7,261.17</b>	<b>3%</b>

All levies are paid over to the Limpopo Provincial Treasury. The levies do not include unclaimed dividend levy, licence fees for slot machines, tables, employees and other fees payable on an annual basis.

## 8. SPLIT OF GGR AND LEVIES

The split of Gross Gambling Revenue and Levies between gambling slot machines, gambling tables and Limited Payment Machines for 2010/11 and 2009/10 was as follows:

	Gambling Machines	Gambling Tables	LPMs	TOTAL
GGR 2009/10	230,124,016.52	31,864,533.51	55,956,014.50	317,944,564.53
GGR 2010/11	251,196,833.61	39,078,547.32	65,315,577.46	355,590,958.39
Variance	21,072,817.09	7,214,013.82	9,359,562.96	(37,646,393.86)
% Variance	9%	23%	17%	-12%
Levies 2009/10	13,569,181.00	1,878,880.94	3,357,360.03	18,805,421.97
Levies 2010/11	15,071,810.00	2,344,712.84	3,918,934.64	21,335,457.48
Variance	1,502,629.00	465,831.90	561,574.61	2,530,035.51
% Variance	11%	25%	17%	13%

# LAW ENFORCEMENT



*Left to right: Mr. Frans Badenhorst, Ms. Mayroon Charity (Secretary)*

*Insert: Mr. Hugh Pohl (Senior Manager: Law Enforcement) - † 27/02/2011*

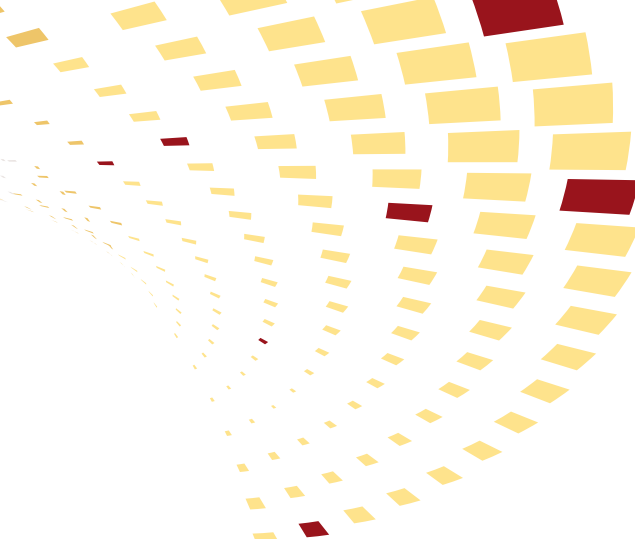


Objective	Key Performance Indicator	Target	Performance Results and Achievements	Variations
<b>LAW ENFORCEMENT</b>				
To ensure the reduction of all forms of illegal gambling in the province and establish public confidence in legal establishments	Number of people who attended crime awareness campaigns per district	At least 800 People per district	23 741 (Indicates how many per district not total amount) Capricorn: 15 312 Waterberg: 869 Vhembe: 2 217 Mopani: 5 343	Far more people attended the awareness campaigns as was expected. Keep in mind that the totals cannot always be verified as it is not possible to count the people attending but at least the target of 800 people per district was reached
To ensure the eradication of all forms of illegal gambling in the Province and to promote crime awareness	Investigate illegal gambling activities in the Province. Targeted activities are: <ul style="list-style-type: none"> <li>Fahfee</li> <li>Illegal gambling machines</li> <li>Illegal Horse racing</li> <li>Dog racing</li> <li>Dice</li> </ul>	400 Investigations including all illegal gambling activities.	1 577 Investigations including all illegal gambling activities	More complaints and cases were received and investigated
Arrest illegal gambling offenders	Number of arrest of illegal gambling offenders	240 Arrests	344 Arrests	Cases were reported and investigated and therefore more arrests were made
Programme for promoting awareness campaigns against illegal gambling	Number of illegal gambling awareness campaigns and programs.(2 per annum) Number of information sessions at SAPS, schools, clinics and in local communities in the province	Two per annum 180	Two per annum 461	Two mega campaigns were held in conjunction with SAPS and other stakeholders one in Vhembe and other in Capricorn district  The reason for the variance was because of more meetings, campaigns and programmes than was anticipated
To liaise and establish links with other Law Enforcement Agencies	Meetings, workshops and information sessions with members of the S.A.P.D, Department and other Law Enforcement Agencies. Number of workshops and other sessions	160	184	The reason for the variance of 24 was as a result of more invitations received from other law enforcement entities to conduct workshops and information sessions than was anticipated

# CHIEF FINANCIAL OFFICE



*Left to right: Ms. Yvonne Mathabatha (Chief Financial Officer), Ms. Boitumelo Padi (Risk Officer), Ms. Adèle Kotze (Secretary to the CFO)*



# FINANCE



**Left to right:** Ms. Dorah Ramotumbu, Mr. Sam Maahlo (Senior Manager), Ms. Mpho Ramahlo, Ms. Yvonne Mathabatha (Chief Financial Officer)

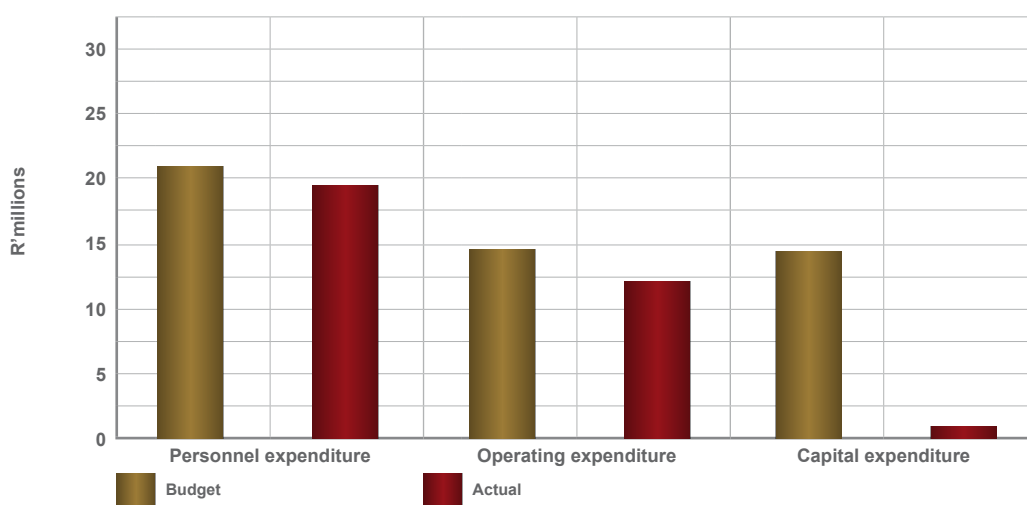
**Absent:** Ms. Pheladi Thobejane, Ms. Faith Montjane

Objective	Key Performance Indicator	Target	Performance Results and Achievements	Variances
<b>FINANCE</b>				
Effective budget planning processes	Number of MTEF statements	Compile 2011/12-2013/14 MTEF	MTEF budget for 2012/13 – 2013/14 compiled.	
Monitor and report on the budget of the Board	Number of reports	12 monthly reports	12 monthly reports	
Implementation of the risk management and improvement of internal controls	Number of reports and plans submitted to the audit committee	Four reports	Two reports	The risk assessments reports were adopted by the audit committee on the 17th of November 2010
Improve on the issues identified by internal auditor	Attending to findings identified by the internal auditor	Four Internal Audit reports	Five Internal Audit reports done	One <i>ad hoc</i> audit
Implement the PFMA and Treasury Regulations	Submission of financial statements 2 months after the new financial year	Submission of financial statements 2 months after the new financial year	Financial statements submitted 2 months after financial year end (31 May 2010)	
Effective payroll management	Number of Management Accounts submitted to Treasury	Monthly submission of Management Accounts to Treasury	12 Management Accounts were submitted to Treasury	
Management and safeguard of assets	Number of payroll per year	12 payroll.	12 payroll were done	
Debtors management	Number of asset reconciliations	12 asset reconciliation reports were compiled	12 asset reconciliations reports were done	
Effective revenue management	Number of age analysis reports on debtors and creditors done	12 reports	12 creditor and debtors reconciliations were done	
	Time taken to collect levies and transfer to department of Treasury	Weekly Monthly	Weekly collections were done without interruptions Monthly transferred to Treasury	
	Number of revenue/levies reports prepared	12 revenue/levies reports	12 revenue/levies reports were prepared	
Cash and bank management	Number of bank reconciliations prepared	12 bank reconciliations	12 bank reconciliations were done compiled	

## Summary of Actual vs Budgeted expenditure for 2010/11

Table 1

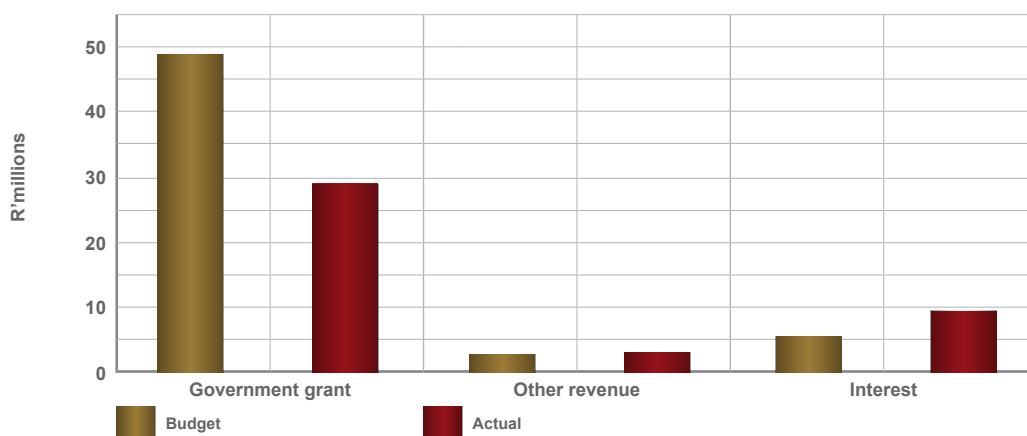
Details	Budget	Actual	Variance
Personnel	22,005,398	19,056,436	2,948,962
Expenditure	29,210,698	13,682,287	15,528,411
OPEX	14,987,701	12,254,876	2,732,825
CAPEX	14,222,997	1,427,411	12,795,586
<b>TOTAL</b>	<b>51,216,096</b>	<b>32,738,723</b>	<b>18,477,373</b>



Graph 1: Budget versus actual expenditure

Table 2

Details	Budget	Actual	Variance
Government Grant	48,000,000	28,000,000	20,000,000
Other revenue	2,664,336	2,813,736	(149,400)
Interest	551,760	935,127	(383,367)
<b>TOTAL</b>	<b>51,216,096</b>	<b>31,748,863</b>	<b>19,467,233</b>



Graph 2: Grant and other revenues

# HUMAN RESOURCE MANAGEMENT



*Standing left to right: Ms. Phillipine Mohodi, Ms. Eunice Mamabolo, Mr. Jonas Thopola, Ms. Thandi Masekoameng, Mr. Peter Pitsi, Ms. Itumeleng Mpe*

*Seated left to right: Ms. Anneke Swanepoel, Ms. Yvonne Mathabatha (Chief Financial Officer), Ms. Ethal Makgoba (Manager)*



Objective	Key Performance Indicator	Target	Performance Results and Achievements	Variations
<b>HUMAN RESOURCE MANAGEMENT</b>				
Revising the organisational structure to meet new business needs	Number of revised organisational structure.	One approved organisational structure	One approved organisational structure	
Ensuring that the annual salary inflation adjustment is implemented	Inflation adjustments for employees	Approved inflation adjustment for employees	Board approved the salary inflation adjustments for employees	
Ensure that performance bonuses are paid	Number of formal performance appraisals	Four performance appraisals	Four performance appraisals done	
Ensure that individual employees' contracts are signed off by supervisors	Number of signed performance contracts.	Finalisation of performance contracts 2010/2011	Performance contracts for 2010/11 done	
	Number of employment equity reports submitted on the 1 <sup>st</sup> October	One employment equity report	One employment equity report done	

#### Employment Equity Plan: Female and Male employees

Unit	Number of People	Actual Budget	Amount Used
CEO, IT and Compliance	3	-	R 10,355.01
Compliance	9	R 50,900.00	R 50,608.40
Finance	14	-	R 42,330.48
HR	2	R 8,000.00	R 5,736.00
IT	2	R 11,000.00	R 11,738.30
Law Enforcement	8	R 12,850.00	R 22,458.00
Supply Chain	3	R 30,978.60	R 27,188.00
Legal Services	1	R 4,350.00	R 2,622.00
All employees	54	R 80,000.00	R 67,563.50
All Senior Managers and Managers	10	R 42,000.00	R 49,500.00
<b>Total</b>		<b>R 240,078.60</b>	<b>R 290,099.69</b>

#### Employment Equity Plan: Female and Male employees

	Females				
	Top	Senior	Middle	Junior	Unskilled
African	1	1	1	12	3
Coloured					1
Indian		1			
White				1	3
					1

	Males				
	Top	Senior	Middle	Junior	Unskilled
African	1	1	4	10	7
Coloured				1	
Indian					
White				1	2



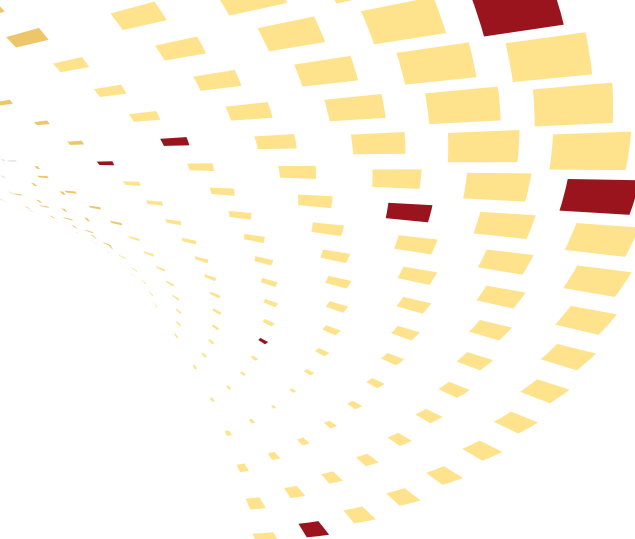
# SUPPLY CHAIN MANAGEMENT



*Standing left to right: Mr. Charles Mdhuli (Manager), Ms. Yvonne Mathabatha (Chief Financial Officer)*

*Seated left to right: Ms. Takalani Mukwevho, Ms. Lizel Greeff, Ms. Thando Mngomezulu*

*Absent: Ms. Maggie Matloa*



# INFORMATION TECHNOLOGY



*Standing: Mr. Mashudu Lavhenga (Manager)*

*Seated Left to right: Ms. Yvonne Mathabatha (Chief Financial Officer), Mr. Khatu Bidza*

Objective	Key Performance Indicator	Target	Performance Results and Achievements	Variations
<b>SUPPLY CHAIN MANAGEMENT</b>				
Ensure compliance with the Supply Chain Regulations	Number of Supply Chain Reports	12 Supply Chain Reports	12 Supply Chain Reports	
Provision of office accommodation	Acquisition of new offices/ lease agreement for the Board	Award and Construction	Not awarded	The bid was re-advertised on the Provincial bid bulletin and the print media. The closing date will be 28 April 2011
	Review and implementation of the policy	1 Reviewed Supply Chain Policy	1 Reviewed Supply Chain Policy	

## INFORMATION TECHNOLOGY

To optimise system utilisation by employees. Smooth running of the Board to enable employees to achieve optimum levels of performance	Number of calls logged per month	296 per annum	292 per annum	<ul style="list-style-type: none"> <li>• Four</li> <li>• Systems working well and less calls were logged</li> <li>• Calls logged by phone were not counted</li> </ul>
	Number of IT Audit	One Audit	One Audit	

# report of the AUDITOR-GENERAL

## REPORT OF THE AUDITOR-GENERAL TO THE PROVINCIAL LEGISLATURE ON THE LIMPOPO GAMBLING BOARD

### REPORT ON THE FINANCIAL STATEMENTS

#### Introduction

1. I have audited the accompanying financial statements of the Limpopo Gambling Board, which comprise the statement of financial position as at 31 March 2011, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information and the accounting authority's report, as set out on pages 53 to 68.

#### Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Limpopo Gambling Board as at 31 March 2011, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 1973 (Act No. 61 of 1973).

### **Emphasis of matter**

8. I draw attention to the matter below. My opinion is not modified in respect of these matter:

### **Restatement of corresponding figures**

9. As disclosed in note 21.1 to the financial statements, the corresponding figures for 2009/10 have been restated as a result of additional information discovered during 2010/11 in the financial statements of the Limpopo Gambling Board at, and for the year ended, 31 March 2010.

### **Additional matter**

10. I draw attention to the matter below. My opinion is not modified in respect of these matter:

### **Unaudited supplementary schedules**

11. The supplementary information set out on pages 30 to 36, as well as pages 69 to 71, does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

12. In accordance with the PAA and in terms of General Notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, I include below my findings on the annual performance report as set out on pages 21 to 47 and material non-compliance with laws and regulations applicable to the entity.

### **Predetermined objectives**

13. There are no material findings on the annual performance report.

### **Compliance with laws and regulations**

#### **Expenditure management**

14. Payments due to creditors were not settled within 30 days from receipt of an invoice, as per the requirements of section 76(4)(b) of the PFMA and TR 8.2.3.
15. The accounting authority did not take effective and appropriate steps to prevent irregular expenditure, as per the requirements of section 38(1)(c)(ii) of the PFMA.

#### **Audit committee**

16. The chairperson of the audit committee is not independent as per the requirements of TR 27.1.3.
17. The audit committee did not adequately review the accuracy and completeness of annual financial statements as per the requirements of TR 27.1.8(d), as annual financial statements and annual performance report were subject to material adjustments.

#### **Internal audit**

18. The internal audit function did not adequately evaluate the Board's internal control system and compliance with legal and regulatory provisions as per the requirements of TR 27.2.10(b) and (e), as annual financial statements and annual performance report were subject to material adjustments.

### Annual financial statements

19. The accounting authority submitted financial statements for auditing that were not prepared in all material aspects in accordance with generally recognised accounting practice as required by section 55(1)(a) and (b) of the PFMA. The material misstatements identified by the AGSA with regards to capital assets, current assets, liabilities, expenditure, revenue and disclosure items were subsequently corrected.

### Strategic planning and performance management

20. The accounting authority did not finalise and submit an amended strategic plan for approval, to the relevant executive authority on or before 1 April as required by TR 30.1.1 and 30.1.2.

### INTERNAL CONTROL

21. In accordance with the PAA and in terms of General Notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

### Leadership

22. Inadequate reviews of the annual financial statements resulted in a material adjustments to the annual financial statements and report on predetermined objectives.

### Financial and performance management

23. Controls are not implemented effectively to ensure completeness and accuracy of annual financial statements and report on predetermined objectives.

### Governance

24. The chairperson of the audit committee is not an independent non-executive as he is the deputy chairperson of the accounting authority.

*Auditor-General*

Polokwane  
31 July 2011



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# report of the AUDIT COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2011.

Limpopo Gambling Board has an audit committee which operates in terms of the Board's approved audit committee charter.

The audit committee consists of the members listed hereunder and meets at least two (2) times per annum as per the approved audit committee charter. During the current year, three (3) audit committee meetings and one (1) special meeting were held and attended as follows:

	Ordinary Meetings	Special Meetings
Mr. K.J. Sithole (Chairperson)	2/3	1
Ms. N.N. Mushwana	1/3	0
Mr. E.M. Makwela	3/3	1
Mr. M.L. Mashego	3/3	1
Ms. C. Ramokoto	1/3	0

## AUDIT COMMITTEE RESPONSIBILITY

The audit committee reports that it has complied with its responsibilities arising from Section 51(1)(a)(ii), 76(4)(d), and 77 of the PFMA and Treasury Regulation 27.1.8. The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

## THE EFFECTIVENESS OF INTERNAL CONTROL

The system of control is designed to provide cost effective assurance as safeguarded and liabilities and working capital are efficiently managed. In line with the PFMA and the King II Report Corporate Governance requirements, internal audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identifications of corrective actions and suggested enhancements to the controls and processes. From the various reports of the internal auditors, the audit report on the annual financial statements and management letter of the Auditor-General, it was noted that the system of internal control was effective for the year under review.

## The Quality of In-Year-Monitoring and Quarterly Reports submitted in terms of the PFMA

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

## EVALUATION OF FINANCIAL STATEMENTS

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report with the Auditor-General and management;
- reviewed the Auditor-General's management letter and management's response thereto; and
- reviewed significant adjustments resulting from the audit.

The audit committee concurs and accepts the Auditor-General's conclusions on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.



**Mr J Sithole**  
Chairperson





# FINANCIAL STATEMENTS CONTENTS

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# statement of FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 R	2010 R
<b>ASSETS</b>			
<b>Non- Current Assets</b>			
Property, Plant & Equipment	1	3,597,543	2,735,834
Intangible Assets	2	-	522
<b>Current Assets</b>			
Trade and Other Receivables	3	273,159	482,741
Cash and Cash Equivalents	4	28,810,169	14,562,753
<b>Total Assets</b>		<b>32,680,871</b>	<b>17,781,850</b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Accumulated Surplus</b>			
		10,114,514	9,676,963
<b>Non-current Liabilities</b>			
Finance Lease Obligation	13	179,169	72,078
<b>Current Liabilities</b>			
Trade and Other Payables	5	1,414,292	7,185,127
Deferred Income	16	20,843,852	781,739
Finance Lease Obligation	13	129,045	65,943
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>32,680,871</b>	<b>17,781,850</b>

# statement of FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 R	2010 R
<b>TOTAL REVENUE</b>		<b>31,748,863</b>	31,298,902
Government Grant		<b>28,000,000</b>	28,153,000
Other Operating Revenue	6	<b>2,813,736</b>	2,295,448
Interest Received		<b>935,127</b>	850,454
<b>TOTAL EXPENSES</b>		<b>(31,311,312)</b>	(29,219,091)
Operating Expenses	7	<b>(9,476,683)</b>	(8,228,941)
Depreciation and Amortisation	1	<b>(679,766)</b>	(586,355)
Board Members' Expenses	8	<b>(2,098,427)</b>	(3,041,769)
Personnel Cost	9	<b>(19,056,436)</b>	(17,362,026)
<b>SURPLUS FOR THE YEAR</b>		<b>437,551</b>	2,079,811

# statement of CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 R	2010 R
Opening Accumulated Surplus		<b>9,676,963</b>	11,414,908
Surplus for the Year		<b>437,551</b>	2,079,811
Funds to be Surrendered		-	(4,086,681)
Correction of Error		-	268,925
<b>BALANCE AT THE END OF THE YEAR</b>		<b>10,114,514</b>	9,676,963

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 R	2010 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>RECEIPTS</b>			
		<b>51,761,034</b>	31,308,905
Unconditional Government Grant		<b>28,000,000</b>	28,153,000
Conditional Government Grant		<b>20,000,000</b>	-
Other Operating Income		<b>2,825,907</b>	2,305,451
Interest		<b>935,127</b>	850,454
<b>PAYMENTS</b>			
		<b>(36,130,687)</b>	(28,855,601)
Personnel Cost		<b>(21,154,863)</b>	(17,362,026)
Suppliers		<b>(9,476,683)</b>	(7,569,370)
Other Payments		<b>(5,499,141)</b>	(3,924,205)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	20	<b>15,630,347</b>	2,453,304
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>			
		<b>(1,257,412)</b>	(704,027)
Acquisition of Fixed Assets		<b>(1,427,412)</b>	(835,528)
Proceeds on Disposal of Fixed Assets		<b>170,000</b>	131,501
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
		<b>(125,517)</b>	(118,041)
Finance Lease		<b>(125,517)</b>	(118,041)
<b>NET INCREASE IN CASH AND EQUIVALENTS</b>		<b>14,247,418</b>	1,631,236
Cash and Cash Equivalents at the Beginning of the Year		<b>14,562,751</b>	12,931,515
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	4	<b>28,810,169</b>	14,562,751

# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2011

## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The financial statements are presented in accordance with South African Generally Accepted Accounting Practice (SA GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practice (GRAP), and the provisions of the Public Finance Management Act (Act 1 of 1999), as amended, as well as other applicable legislation. The preparation of financial statements in conformity with GRAP and SA GAAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant notes.

The following GRAP Statements replace the equivalent SA GAAP Statement as follows:

Statement of GRAP	Statement of SA GAAP
GRAP 1: Presentation of financial statements	AC101: Presentation of financial statements
GRAP 2: Cash flow statements	AC118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC103: Accounting policies, changes in estimates and errors

The recognition and measurement principles in the above GRAP and SA 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, and 3 has resulted in the following significant changes in the presentation of the financial statements.

### Terminology Differences

#### **Statement of GRAP**

Statement of financial performance  
Statement of financial position  
Statements of changes in net assets  
Net assets  
Surplus/deficit for the period  
Accumulated surplus/deficit  
Contributions from owners  
Distribution to owners  
Reporting date

#### **Replaced Statement of SA GAAP**

Income Statement  
Balance sheet  
Statement of changes in equity  
Equity  
Profit/loss for the period  
Retained earnings  
Share Capital  
Dividends  
Balance sheet date

## 2. PRESENTATION OF CURRENCY

These annual financial statements are presented in South African Rand which is the functional currency of the entity.

## 3. GOING CONCERN

These annual financial statements have been prepared on the assumption that the entity will continue to operate as a going concern for the next foreseeable future.

#### 4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated and the nature and reason for reclassification is disclosed. Where accounting errors have been identified in the current year the correction is made retrospectively as far as applicable and the prior year comparatives are restated accordingly.

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

Accounting policy developments include new standards issued, amendments to standards, and interpretation issued on new standards. These developments resulted in the first time adoption of new standards, and the restatement of prior year where applicable. Management assessed the impact of all new standards issued, amendments to standards, and interpretations issued on current standards.

Standards, amendments, and interpretation effective in the current year:

GRAP 4:	The Effects of changes in Foreign Exchange Rates
GRAP 5:	Borrowing Costs
GRAP 6:	Consolidated and Separate Financial Statements
GRAP 7:	Investments in Associates
GRAP 8:	Investment in Joint Ventures
GRAP 9:	Revenue from Exchange Transactions
GRAP10:	Financial reporting in hyper inflationary economies
GRAP 11:	Construction Contracts
GRAP12:	Inventories
GRAP 13:	Lease
GRAP14:	Events after the reporting date
GRAP16:	Investment Property
GRAP17:	Property, Plant and Equipment
GRAP 18:	Segment Reporting
GRAP19:	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21:	Impairment of non-cash generating assets
GRAP 23:	Revenue from non exchange transactions
GRAP 24:	Budget Information
GRAP 26:	Impairment of cash generating assets
GRAP100:	Non-current assets held for sale and discontinued operations
GRAP101:	Agriculture
GRAP102:	Intangible Assets
GRAP 103:	Heritage Assets

#### Basis of Preparation

The financial statements have been prepared on the historical cost basis, except where stated otherwise. These financial statements are presented in South African rands. The following are the principal accounting policies used by the Board which are consistent with those of the previous year.



# notes to the ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

## 1.1 Property, Plant and Equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Board; and
- the cost of the item can be measured reliably.

Property, Plant, and Equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated to write off the cost of an asset on a straight line basis to its residual value over its useful life as follows:

Item	Rate
Fittings	10 years
Furniture	15 years
Office equipment	15 years
Computer equipment	3 years
Motor vehicles	5 years
Computer software	1 year
Sundry assets	5 years

Property, Plant, and Equipment are reviewed periodically to assess whether or not the net recoverable amount has declined below the carrying amount. In the event of such impairment, the carrying amount is reduced with the impairment loss and the impairment loss is charged as an expense against income. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These gains and losses are included in the statement of financial performance.

## 1.2 Intangible Assets

Intangible assets are measured on initial recognition at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The amortisation method is as follows:

Trade marks	10 years
-------------	----------

Intangible assets with indefinite useful lives are not subject to amortisation and are tested annually for impairment. Intangible assets which are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

## 1.3 Financial Instruments

### *Initial Recognition*

The Board classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability, or equity instrument in accordance with the substance of the contractual arrangement. Financial assets and financial liabilities are recognised in the statement of financial position when the Board becomes party to the contractual provisions of the instrument.

The entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exists; and the entity intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### *Initial Measurement*

Financial instruments carried on the statement of financial position include cash and cash equivalents trade and other receivables and trade and other payables. These instruments are initially measured at fair value plus in the case of financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Where the effect of any extended payment terms is not material no adjustments are made.

### *Fair value methods and assumptions*

The fair values of financial instruments are determined as follows:

If the market for a financial asset is not active the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

### *The effective interest rate method*

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

# notes to the ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011 (continued)

## **Amortised cost**

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

## **Loans and receivables**

Loans and receivables are initially measured at fair plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Where the effect on fair value at initial recognition of any extended payment terms is not material no adjustments are made.

Loans and receivables are subsequently measured at amortised cost using the effective interest rate methods less any impairment loss. Interest income is recognised in the Statement of Financial Performance by applying the effective interest rate.

Trade and other receivables and cash and cash equivalents that have fixed or determinable payments that are not quoted in active market are classified as loans and receivables.

## **Financial liabilities held at amortised cost**

Trade and other payables and finance lease liabilities are included in financial liabilities held at amortised cost. Items classified within trade and other payables are not usually re-measured, as obligations are usually known with a high degree of certainty due to their short term maturity, therefore the carrying amount would approximate the fair value. Where the effect on fair value at initial recognition of any extended payment terms is not material no adjustments are made.

## **Cash and Cash Equivalents**

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date. Cash and cash equivalents includes cash on hand, deposits held at call with banks and other highly liquid investments with original maturities of three months or less. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand net of bank overdrafts, all of which are available for use by the Board unless otherwise stated.

## **1.4 Leases**

### **Operating Leases**

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

## **1.5 Employee Benefits**

### **Short-Term Employee Benefits**

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

The provisions for employee entitlements to wages, salaries, annual and sick leave represent the amount which the Board has a present obligation to pay as a result of the employee's past services.

### **Defined Contribution Plans**

Payments to defined contribution retirement benefit plans are charged as an expense to the Statement of Financial Performance as they fall due.

## **1.6 Provisions and Contingencies**

Provisions are recognised when:

- the Board has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Contingent Liabilities are regarded as:

- possible obligations that arises from past events;
- whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events; and/or
- the amount of the obligation cannot be measured with sufficient reliability.

# notes to the ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011 (continued)

## 1.7 Government Grant

The Board receives a grant from Government for each financial year. The grant is recognised when there is assurance that:

- the Board will comply with the conditions attached to the grant; and
- the grant will be received.

The Government grant is recognised as income over the period necessary to match the grant with the related cost which the grant is intended to compensate.

## 1.8 Revenue

Revenue is recognised on accrual basis at fair value when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably; and
- it is probable that the economic benefits associated with the transaction will flow to the Board.

Revenue comprises of the following:

- 1.8.1 Government Grant;
- 1.8.2 Employee Application Fees;
- 1.8.3 Licence Application Fees;

1.8.4 Annual Licence Fees;

1.8.5 Investigation Fees;

1.8.6 Penalties;

1.8.7 Confiscated Monies from Illegal Operations;

1.8.8 Horse Racing Licence Fees; and

1.8.9 Sundry Income.

## 1.9 Accumulated Surplus

In terms of section 53(3) of Public Finance Management Act, surplus funds at close of the financial year shall be paid to the Provincial Revenue Funds, unless Treasury approval has been obtained to retain such funds.

## 1.10 Budget Information

Budget information in accordance with Grap 1 and 24 has been provided in the Statement of Financial Performance under note 23 of these financial statements and form part of the annual financial statements.

notes to the  
**ANNUAL FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2011 (continued)

**PROPERTY, PLANT AND EQUIPMENT**

2011	Fittings R	Furniture R	Office Equipment R	Computer Equipment R	Motor Vehicles R	Sundry Assets R	Total R
<b>Opening Balances</b>							
Cost	116,145	687,318	797,474	1,132,042	2,160,118	24,460	4,917,557
Accumulated Depreciation	(116,145)	(329,390)	(414,494)	(784,828)	(512,406)	(24,460)	(2,181,723)
<b>Carrying Amount</b>	-	357,928	382,980	347,214	1,647,712	-	2,735,834
<b>Movement during the Year</b>							
Additions		163,654	48,179	278,582	936,999		1,427,412
Disposals			(246)	(6,611)	(175,315)		(182,172)
Depreciation	-	(52,428)	(161,339)	(232,978)	(232,496)		(679,241)
Cost	116,145	850,973	764,657	1,329,800	2,807,905	24,460	5,893,940
Accumulated Depreciation	(116,145)	(381,819)	(199,377)	(943,593)	(631,003)	(24,460)	(2,296,397)
<b>Carrying Amount</b>	-	469,154	565,280	386,207	2,176,902	-	3,597,543

**2010**

<b>Opening Balances</b>							
Cost	135,822	733,871	674,013	1,738,080	1,924,445	50,978	5,257,209
Accumulated Depreciation	(130,634)	(612,811)	(374,261)	(1,400,462)	(437,679)	(48,367)	(3,004,214)
Correction of error		259,907	9,018				268,925
<b>Carrying Amount</b>	5,188	380,966	308,770	337,618	1,486,766	2,611	2,252,995
<b>Movement during the Year</b>							
Additions	-	34,465	88,052	194,501	518,510	-	835,528
Disposals	(596)	(11,682)	(5,851)	(211)	(123,038)	(126)	(141,504)
Correction of error		(8,511)	102,692	-	-	-	94,181
Depreciation	(4,592)	(37,310)	(110,683)	(184,694)	(234,527)	(2,485)	(574,291)
Cost	116,145	687,318	797,474	1,132,042	2,160,118	24,460	4,917,557
Accumulated Depreciation	(116,145)	(329,390)	(414,494)	(784,828)	(512,406)	(24,460)	(2,181,723)
<b>Carrying Amount</b>	-	357,928	382,980	347,214	1,647,712	-	2,735,834

# notes to the ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011 (continued)

	2011 R	2010 R
<b>2. INTANGIBLE ASSETS</b>		
Trademark		
Opening Balance (Cost)	7,866	7,866
Opening Balance (Accumulated Amortisation)	(7,344)	(6,557)
<b>Carrying Amount (Opening Balance)</b>	<b>522</b>	1,309
Amortisation (during the year)	(522)	(787)
	-	522
<b>3. TRADE AND OTHER RECEIVABLES</b>		
Sundry Debtors	88,954	12,614
Deferred Expenses	172,104	434,360
Staff Loans	-	1,136
Provision for doubtful debts	-	(1,136)
Deposits	12,101	12,101
Correction of error		23,667
	<b>273,159</b>	482,742
<b>4. CASH AND CASH EQUIVALENTS</b>		
Bank	28,808,169	14,560,753
Petty Cash	2,000	2,000
	<b>28,810,169</b>	14,562,753
<b>5. TRADE AND OTHER PAYABLES</b>		
Sundry Creditors	509,904	4,086,681
Pay as you earn	3,230	4,295
Operating lease obligation	74,493	
Levies due to Provincial Treasury	-	545,940
Personnel Accruals	775,267	2,081,548
Other Accruals	51,398	458,050
Correction of error		8,613
	<b>1,414,292</b>	7,185,127
<b>6. OTHER OPERATING REVENUE</b>		
Casino Application Fees	206,000	-
Horsereading Application Fees	2,000	-
LPM Application Fees	252,000	-
LPM Licence Fees	28,900	52,600
Annual Licence Fees	1,101,000	1,111,200
Manufacturer Licences	7,000	1,000
Investigation Fees	423,543	132,901
Horse Racing Licence Fees	61,800	121,200
Employee Registration Fees	337,412	271,800
Sundry Income	405,117	614,750
Profit (Loss) on Disposal of Assets	(12,172)	(10,003)
Bad Debts Recovered	1,136	-
	<b>2,813,736</b>	2,295,448

# notes to the ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011 (continued)

	2011 R	2010 R
<b>7. OPERATING EXPENSES</b>		
Audit Fees (Internal)	300,764	315,324
Audit Fees - Auditor-General	508,066	446,708
Operating Lease Charges	1,541,344	1,246,365
Investigation Fees	26,098	11,181
Interest Expense (Finance Lease)	56,892	17,069
Other Expenses	7,043,519	6,211,632
Correction of error		(19,338)
	<b>9,476,683</b>	<b>8,228,941</b>

<b>8. BOARD MEMBERS' EXPENSES</b>		
Subsistence and Travelling	64,483	74,720
International Conferences and Seminars	1,492,851	2,557,732
Chairperson's Allowance	26,160	26,160
Board Meetings	223,381	192,365
Accommodation	291,552	190,792
	<b>2,098,427</b>	<b>3,041,769</b>

<b>9. PERSONNEL COST</b>		
Salaries	13,706,269	11,169,364
Leave Provision	1,394,914	1,444,900
Pension Fund	1,554,932	1,523,900
13 <sup>th</sup> Cheques	1,819,681	1,063,139
Medical Aid	507,735	530,892
Performance Bonuses	(5,384)	1,556,327
Unemployment Insurance Fund	78,291	73,504
	<b>19,056,438</b>	<b>17,362,026</b>

## 10. RELATED PARTY TRANSACTIONS

### 10.1 Remuneration of Senior Management

	2011		2010	
	Performance Bonus R	Annual Package R	Performance Bonus R	Annual Package R
Serobi Maja	-	1,361,732	119,751	1,248,379
Y.S.M. Mathabatha	-	928,794	-	851,480
T. Ncube	-	796,385	43,806	730,092
L. Ganess	-	728,193	40,055	667,577
S. Maahlo	-	728,193	53,406	667,577
H. Pohl	-	674,185	40,455	674,252
	-	<b>5,217,482</b>	297,473	4,839,357

### 10.2 Grant received

Department of Economic Development, Environment and Tourism	48,000,000	28,153,000
Unconditional Grant received	28,000,000	28,153,000
Conditional Grant received	20,000,000	-

# notes to the ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011 (continued)

<b>11. REMUNERATION OF BOARD MEMBERS</b>	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
J.Z. Moolman	18,345	37,560
K.J. Sithole	87,584	137,215
A.L. Mkhabela	103,496	96,720
T.J. Mathebula	94,561	57,979
N.N. Mushwana	61,236	92,350
T.E. Motsepe	98,971	158,579
M.J. Boshielo (Subsistence Allowance)	11,238	50,830
M.S. Mashala (Subsistence Allowance)	-	13,297
	<b>475,431</b>	<b>644,530</b>

<b>12. AUDIT COMMITTEE EXPENSES</b>		
Meetings	<b>25,910</b>	20,586

<b>13. COMMITMENTS</b>		
<b>13.1 Leases</b>		
<b>13.1.1 Lease commitments (operating leases)</b>		
Payable within 1 year	<b>1,224,058</b>	1,335,336
Payable within 2 to 5 years	-	1,224,058
	<b>1,224,058</b>	2,559,394

The Board rents two buildings at 22 Schoeman Street and 16 Schoeman Street and telephones under an operating lease.

The current lease arrangement for both premises are being renewed annually and expires on 28/02/2012. The lease agreement for telephones is for a period of five years and will expire on 31/03/2013.

Rent is payable monthly in arrears in both cases. There are no escalations on telephones and the 16 Schoeman Street building lease agreements. Rent for building at 22 Schoeman Street escalates at 10% per annum.

<b>13.1.2 Finance Leases</b>		
<b>Reconciliation of minimum lease payments</b>		
Payable within 1 year (Short-term)	<b>176,573</b>	85,926
Payable within 2 to 5 years (Long-term)	<b>200,816</b>	87,560
<b>Minimum Lease Payments</b>	<b>377,389</b>	173,486
<b>Less Future Finance Charges</b>	<b>(69,176)</b>	(35,465)
1 Photocopier	<b>(15,482)</b>	(34,146)
3 Photocopiers	<b>(53,694)</b>	(1,319)
<b>Present Value of Lease Liability</b>	<b>308,212</b>	138,021
Payable within 1 year	<b>129,045</b>	65,943
Payable within 2 to 5 years	<b>179,168</b>	72,078



# notes to the ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011 (continued)

13. COMMITMENTS (continued)	2011 R	2010 R
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## 13.2 Other commitments

The Board has entered into an agreement with Zip Security Services with company registration number 1999/000489/23 to render al security services with effect from 1 October 2009 to 30 September 2011.

The total cost per month inclusive of VAT is R36 438.72

## 14. LEVIES

Levies Collected and Paid Over to Provincial Treasury	29,094,698	25,278,542
Levies Collected and Not Paid Over at Year End	-	545,940
<b>TOTAL COLLECTED</b>	<b>29,094,698</b>	<b>25,824,482</b>

## 15. OTHER FINANCIAL LIABILITIES

Fair values of financial liabilities (Creditors) were determined based on the cost of services rendered and / or goods acquired by the Board, for which payments were outstanding at year end.

## 16. DEFERRED INCOME

Deferred income recognised in the balance sheet represents licence fees for the 2011/12 financial year paid in March 2011 as well as portion of the grant deferred for use in the next financial year.

## 17. RECONCILIATION OF PERSONNEL ACCRUALS

<b>Leave Pay</b>		
Opening Balance	406,257	559,565
Accrued during the Year	1,767,895	1,758,522
Utilised during the Year	(1,837,302)	(1,911,830)
Closing Balance	336,850	406,257
<b>13th Cheques and Savings (CEO and Management)</b>		
Opening Balance	256,024	258,534
Accrued during the Year	1,169,450	1,063,140
Utilised during the Year	(1,078,623)	(1,065,649)
Closing Balance	346,851	256,025
<b>Performance Bonuses 2010/11</b>		
Opening Balance	1,419,265	1,225,215
Accrued during the Year	(5,384)	1,534,758
Utilised during the Year	(1,322,317)	(1,340,708)
Closing Balance	91,564	1,419,265
<b>TOTAL PERSONNEL ACCRUALS</b>	<b>775,265</b>	<b>2,081,548</b>

## 18. INCOME TAX

The Limpopo Gambling Board is exempt from tax in terms of the provisions of Section 10(1)(cA)(i) of the Income Tax Act.

# notes to the ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011 (continued)

	2011 R	2010 R
<b>19. RETIREMENT BENEFITS</b>		
The employer contributes a percentage of an employee's salary to the Old Mutual pension fund which is subject to the Pension Fund Act, where it is vested on the employee's behalf. On retirement the employee will receive contributions plus returns on investment. The employer has no obligation other than to make the monthly payments with no further risk. The risk of market movements lies with the employee.		
<b>20. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>SURPLUS</b>	<b>437,551</b>	2,071,751
<b>NON-CASH MOVEMENTS</b>	<b>691,937</b>	(3,224,617)
Depreciation	<b>679,766</b>	575,077
Funds to be Surrendered	-	(4,086,681)
Loss/( Profit) on Sale of Assets	<b>12,171</b>	10,003
Correction of error		276,984
<b>CHANGES IN WORKING CAPITAL</b>	<b>14,500,859</b>	3,859,487
Decrease / (Increase) in Receivables	<b>209,582</b>	(65,570)
(Decrease) / Increase in Payables and Deferred Income	<b>14,291,277</b>	3,925,057
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>15,630,347</b>	2,453,304

## 21. PRIOR PERIOD ERROR

### 21.1 Property Plant and Equipment

During the year a review of the lifespan of assets was done for the 2010/11 financial year. This was done pursuant to the requirements of GRAP 17. It was decided that the lifespan of Office Equipments and Furniture should be increased as per schedule below while the lifespan of all other assets were considered to be reasonable.

Item	Current rate	Prior year rate
Fittings	10 years	10 years
Furniture	15 years	5 years
Office Equipment	15 years	5 years
Computer Equipment	3 years	3 years
Computer Software	1 year	1 year
Sundry Assets	5 years	5 years

The comparative figures were restated on assets whose lifespan has been reassessed and the effect of these changes are as follows:

Increase in finance charges	(3,675.88)
Increase in depreciation	(5,858.80)
Decrease in lease expense	7,960.00
Decrease in profits	<u>(1,574.68)</u>
Increase in machines	99,599.59
Increase in lease liabilities	<u>(101,174.26)</u>
Decrease in retained earning	<u>(1,574.67)</u>

Correction of prior error leased equipment depreciated over 5 years than 3 years. Comparative amounts have been appropriately restated. The effect of the adjustment on 2009/10 financial statement is as follows:

Increase in depreciation	86,570.00
Decrease in profits	<u>86,570.00</u>

# notes to the ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011 (continued)

21. PRIOR PERIOD ERROR (continued)	2010 R
<b>21.1 Property Plant and Equipment (continued)</b>	
Increase in accumulated depreciation	86,570.00
Decrease in retained earnings	86,570.00

During the year Limpopo Gambling Board reviewed the residual value and useful life of property plant and equipment. The reason for the review is to comply with the requirement of GRAP 17 which requires the Board to review residual value, useful life and depreciation at least once a year. Comparative amounts have been appropriately restated. The effect of the adjustment on:

#### **Office Equipment and Furniture**

Increase in book value	350,075.99
Increase in retained earnings	268,925.00
Decrease in depreciation	81,150.99

#### **Trade Payables**

Correction of prior year is due to incorrect accounting treatment of operating leases in respect of office building which has not been accounted for on a straight line basis. Comparative amounts have been appropriately restated. The effect of the adjustment on 2009/10 financial statements are as follows:

Decrease in retained earnings	8,613.02
Increase in sundry creditors	8,614.02

#### **Trade Receivables**

Decrease in operating expenses	(23,667.00)
Increase in profits	23,667.00
Increase in debtors	23,667.00
Increase in retained earnings	(23,667.00)

## **22. IRREGULAR EXPENDITURE**

Reconciliation of irregular expenditure	
Opening balance	
Irregular expenditure-current year	18,320
Irregular expenditure condoned	-
Transfer to receivables for recovery	-
Irregular expenditure awaiting condonement	18,320

#### **Analysis of current irregular expenditure**

One quote was sourced for anti-virus software because only accredited service provider was available.

# annexure to the ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011 (continued)

<b>23. POST BALANCE SHEET EVENTS</b>	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
The Board is unaware of any matter or event arising since the end of the financial year.		

## **24. FINANCIAL RISK MANAGEMENT**

The use of financial instruments exposes an organisation to a number of risks. Some of the main financial risks are considered below:

Treasury regulations require the entity to facilitate a risk assessment to determine the material risks to which the entity may be exposed to and to evaluate the strategy for managing these risks. A risk assessment exercise is therefore conducted for the whole organisation on an annual basis, with the help of the entity's internal auditors. These risk factors form the basis of the internal audit annual coverage plan.

### **Market risk**

This is the risk that the fair value or future cash flows from a financial instrument will fluctuate as a result of the changes in market prices. Values in financial instruments may change, thus resulting in both potential gains and losses. The entity's activities do not expose it to significant market risks. The entity's activities expose it primarily to the risk of fluctuations in interest rate.

Interest rate risk is a risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Market risk exposures are measured using sensitivity analysis. A sensitivity analysis shows how surplus would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date.

### **Interest rate sensitivity Analysis**

The Board's major source of revenue is Government Grant and to lesser extent, interest income depending on cash equivalents held. A major expense is on salaries which are fixed for a financial year.

The basis points increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the reasonably possible change in interest rates. The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date.

### **Interest rate sensitivity Analysis (continued)**

As the entity does not have any instruments that effect net assets directly, the disclosure only indicates the effect of the change in interest rates on surplus. A change in market interest rate at the reporting date would have increased / (decreased) the surplus for the year by amounts below:

Cash and equivalents (upward change)	<b>28,810,169</b>	14,562,753
Cash and equivalents (downward change)	<b>(28,810,169)</b>	(14,562,753)

# annexure to the ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011 (continued)

## 24 FINANCIAL RISK MANAGEMENT (continued)

### Credit Risk Management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the entity. To mitigate credit risks, the entity has adopted a policy of only dealing with creditworthy parties. Credit risk with respect to trade and other receivables is limited due to our policy of not granting credit to third parties and also due to the fact the Limpopo Gambling Board is not a trading entity or profit orientated. Management manages the credit risk relating to staff loans by deducting payments due by employees monthly from their salaries. Our main source of income is through grants received from the Department of Economic Development, Environment and Tourism.

Financial assets, that potentially subject the entity to credit risk, consist principally of cash and cash equivalents and short-term deposits. The entity's cash and cash equivalents and short-term deposits are placed with high credit quality financial institutions.

### Maximum Exposure to Credit risk

The entity's exposure to credit risk with regards to loans and receivables is limited due to the nature of the entity's operations, as explained above. Credit risk is fairly low in respect of staff loans as they are related to the entity.

There has been no significant change during the financial year, or since the end of the financial year, to the entity's exposure to credit risk, the approach of measurement or the objectives, policies and processes for managing this risk.

### Liquidity Risk Management

Liquidity risk is the risk that the organisation would not have sufficient funds available or may encounter difficulties in raising funds to meet its future commitments. This risk is regarded as low considering the Board's current funding structure and management of available cash resources.

The table below provides detail of the entity's remaining contractual maturity for its financial liabilities:

	Carrying Amount	Total Cash Flow	Contractual Cash Flow 1	Contractual Cash Flow 1-5
<b>2011</b>				
Other Financial Liabilities	382,707	2,855,920	176,568	2,264,387
<b>2010</b>				
Other Financial Liabilities	7,213,361	7,213,361	7,213,361	-

# annexure to the ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011 (continued)

## 24. FINANCIAL RISK MANAGEMENT (continued)

The table below shows the classification on the Board's principal instruments together with their carrying values:

Financial Instruments	Classification	Carrying Amount 2011	Carrying Amount 2010
Cash & cash equivalents	Loans and receivables	28,810,169	14,562,753
Trade and receivables	Loans and receivables	273,159	459,075
Trade and other payables	Financial liabilities held at amortised cost	1,414,292	7,176,514
Finance leases	Financial liabilities held at amortised cost	308,214	138,021

Net gains and losses on financial instruments. The following table presents the total net gains of losses for each category of financial liabilities:

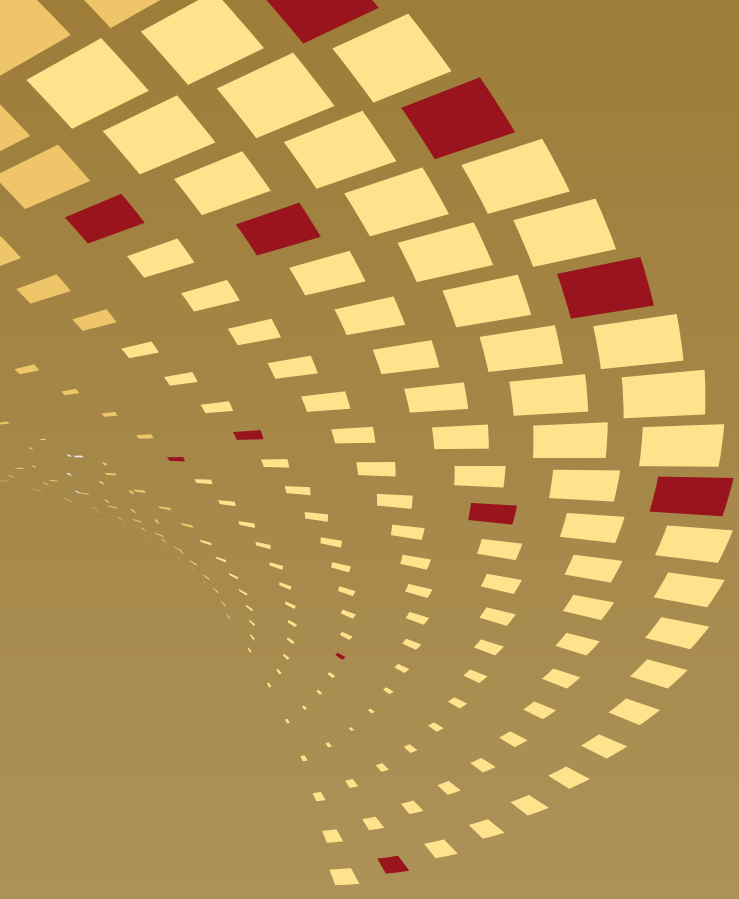
2011	Receivables	Financial liability	Total
Interest Income	935,127		935,127
Finance Charges		56,892	(56,892)
Total Net Gains Recognised in the Statement of Financial Performance	935,127	56,892	878,235

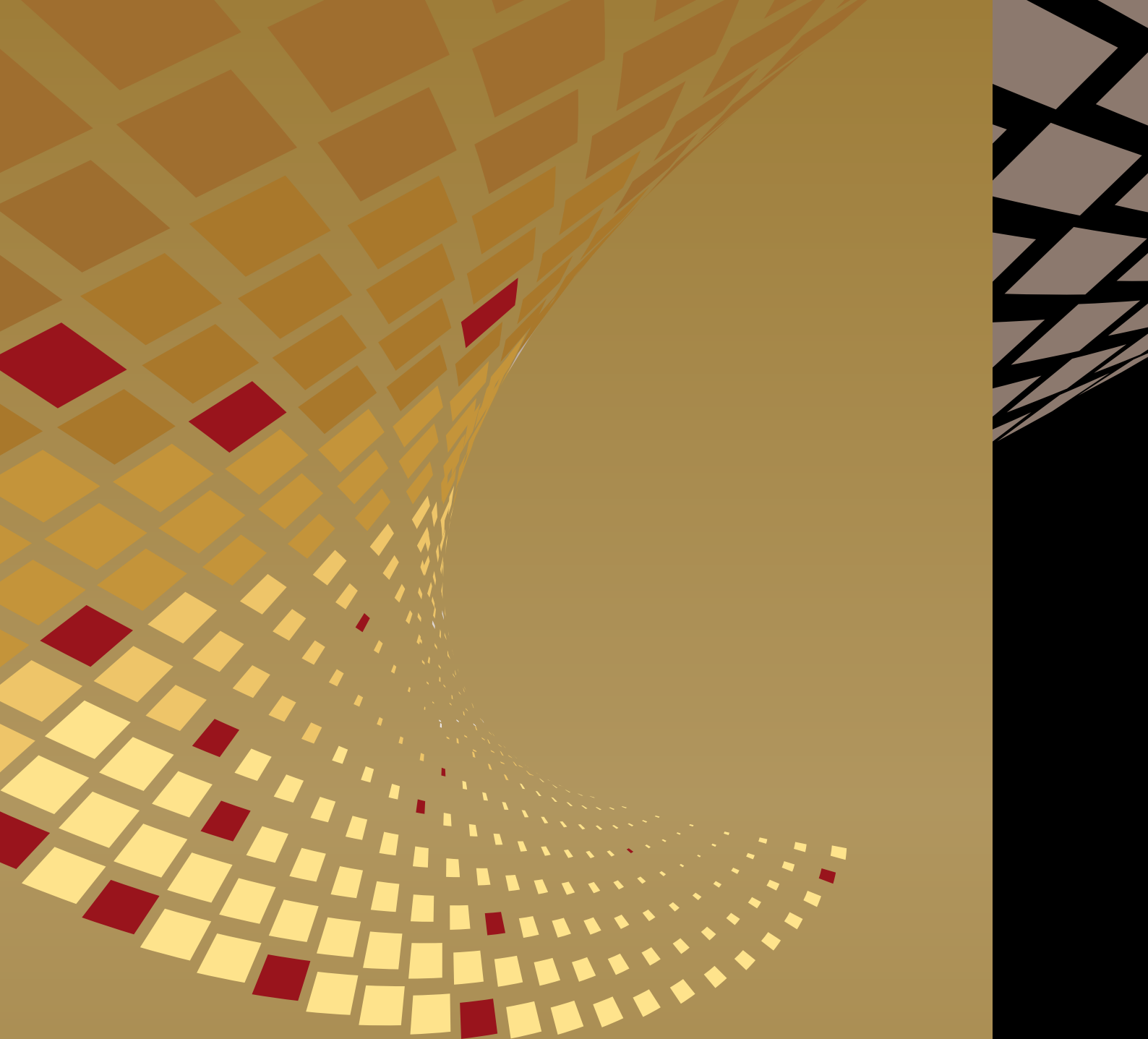
### 2010

Interest Income	850,454	-	850,454
Finance Charges	-	(17,069)	(17,069)
Total Net Gains Recognised in the Statement of Financial Performance	850,454	(17,069)	833,385

Reconciliation of budget and surplus/deficit with the cash generated from operating, investing and financing activities.

	Operating	Financing	Investing	Total
Actual amount as presented in the budget statement	36,993,099	-	14,222,997	<u>51,216,096</u>
Basis difference				
Timing differences	862,412	-	12,795,585	<u>13,657,997</u>
Actual amount in the Cashflow Statement	36,130,687	-	1,427,412	<u>37,558,099</u>





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