



ANNUAL REPORT 2022-2023



KWAZULU-NATAL PROVINCE

ECONOMIC DEVELOPMENT, TOURISM
AND ENVIRONMENTAL AFFAIRS
REPUBLIC OF SOUTH AFRICA

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PART A:

GENERAL INFORMATION



1. PUBLIC ENTITY'S GENERAL INFORMATION

Registered Name:	KwaZulu-Natal Gaming and Betting Board
Telephone Number/s:	033 345 2714 (pmb) 031 583 1800 (dbn)
Fax Number:	033 342 7853 (pmb) 031 583 1820 (dbn)
Email Address:	inquiries@kzngbb.org.za
Website Address:	www.kzngbb.org.za
Country of incorporation and domicile	South Africa
Nature of business and principal activities	To regulate the Gambling industry in KwaZulu-Natal
Accounting Authority	Refer to paragraph 6 of the Accounting Authority's Report for details of members
Head Office - Pietermaritzburg	KZNGBB House Redlands Office Estate 1 George MacFarlane Drive Pietermaritzburg 3201
Durban office	18th Floor, The Marine 22 Dorothy Nyembe Street Durban 4001
Postal address	Private Bag X9102 Pietermaritzburg 3200
Parent department	Department of Economic Development, Tourism and Environmental Affairs
Ultimate controlling body	KwaZulu-Natal Provincial Legislature
Bankers	ABSA
Auditors	Auditor-General South Africa
Board secretary	Ms Noxolo Ntombela Appointed 03 May 2022 Refer to Accounting Authority report for changes

2. LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor-General of South Africa
BBBEE	Broad-Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operations Officer
CSI	Corporate Social Investment
DEDTEA/EDTEA	Department of Economic Development, Tourism & Environmental Affairs
EDTEA	Economic Development, Tourism and Environmental Affairs
GBV	Gender-Based Violence
GRAP	Generally Recognised Accounting Practice
GROP	Gambling Regulatory Online Portal
KZNGBB	KwaZulu-Natal Gaming and Betting Board
MEC	Member of Executive Council
MTEF	Medium Term Expenditure Framework
PFMA	Public Finance Management Act
RFA	Request for Applications
SCM	Supply Chain Management
SMME	Small Medium and Micro Enterprises
TR	Treasury Regulations



FOREWORD BY THE EXECUTIVE AUTHORITY

Together, we will continue to shape an industry that contributes to our nation's economic growth, promotes social well-being, and upholds the highest standards of integrity.



MR SIBONISO DUMA, MPL
MEC for Economic Development,
Tourism and Environmental Affairs

INTRODUCTION

I am pleased to present the 2022/2023 Annual Report on the state of the gaming and betting industry within the province of KwaZulu-Natal. This report provides a comprehensive analysis of key areas, including revenue generation, the implementation of our transformation strategy, the fight against illegal gambling, economic opportunities for black individuals, the rationalization process of KZNGBB and KZNLA, legislative challenges, readiness for the Fourth Industrial Revolution (4IR), the protection of public interests, Corporate Social Initiatives, and the industry's response to gender-based violence (GBV).

PROVINCIAL ECONOMIC RECOVERY PLAN

The mandate of KZNGBB entails driving sustainable and inclusive economic growth through contributing to job creation and tourism; these pillars underpin the provincial economic recovery plan. In so doing, the KZNGBB have played a critical role in the economic recovery of the

province through additional decent jobs sustained and created, with youth, women and persons with disabilities prioritised and investing for accelerated inclusive growth

RATIONALISATION

As per a Cabinet Resolution provided, there will be a rationalisation process that will be undertaken to amalgamate the KwaZulu-Natal Gaming and Betting Board as well as the KwaZulu-Natal Liquor Authority. It is envisaged that all stakeholders will work together to ensure the transition towards the KwaZulu-Natal Economic Regulator is undertaken effectively.

KZN FLOOD RELIEF

The KZN Province was ravaged by the floods that occurred during April 2022. As an intervention by Provincial Government to undertake post flood relief efforts, it is heartening to note that the gaming and betting industry contributed to R 5, 045 million to repair damaged schools, non-governmental organisations and support humanitarian efforts. Schools which were assisted included Amandlakhe

Primary School (Umgungundlovu District), Ongane Combined School (Zululand District) Lukhasa Secondary School (Ilembe District): Emgangezi Secondary School (Ugu District). The industry also supported the Charlotte Manny Maxeke Institute which assisted in the repair of the KZN Society for the Blind and Deaf and Ekwenemeni Day Care Centre.

TAX COLLECTION AND REVENUE GENERATION

The collection of taxes from the gaming and betting industry is a crucial component of our economic development efforts. I am pleased to report that tax revenue generated from the industry has shown steady growth, contributing significantly to the provincial treasury. These funds play a vital role in supporting essential public services, infrastructure development, and various social upliftment programs. I am delighted to report that the gaming and betting industry in KwaZulu-Natal has recovered, and it's positioned to thrive and generate substantial revenue over the Medium-Term Expenditure Framework.

IMPLEMENTING THE TRANSFORMATION AGENDA

Our commitment to the transformation of the KZN gaming and betting industry remains unwavering. We have successfully implemented a comprehensive strategy aimed at fostering inclusivity, diversity, and economic empowerment. Through targeted initiatives, partnerships, and preferential procurement practices, we have made substantial progress in ensuring that black individuals have equal access to opportunities within the industry. We continue to promote skills development, entrepreneurship, and the creation of sustainable businesses, driving the transformation agenda forward.

The gaming and betting industry faces legislative challenges that hinder its transformation and growth potential. We acknowledge the need for a regulatory framework that strikes a balance between fostering industry development and safeguarding public interests. Our portfolio is actively engaging with industry stakeholders, legal experts, and policymakers to address these challenges and develop progressive legislation. By promoting industry-wide dialogue, conducting comprehensive assessments, and ensuring robust regulatory frameworks, we aim to create an environment that promotes responsible gambling, protects consumers, and fosters sustainable industry transformation.

TRANSFORMATION FUND:

The Transformation Fund continues to play a pivotal role in advancing our transformation agenda within the gaming and betting industry. Over the past year, we have successfully allocated funds to support initiatives aimed at promoting broad-based economic empowerment, skills development, and job creation. Through strategic partnerships and collaboration with industry stakeholders, we have witnessed tangible progress in diversifying ownership, promoting entrepreneurship, and increasing the participation of historically disadvantaged individuals.

BLACK INDUSTRIALIST PROGRAM:

Our commitment to supporting black industrialists in the gaming and betting industry remains unwavering. Through the Black Industrialist Program, we have provided targeted support, including access to funding, mentorship, and capacity-building opportunities. The program has facilitated the emergence of successful black-owned businesses within the industry, promoting economic inclusion and driving sustainable growth. We are proud of the accomplishments of these black industrialists, who serve as role models for aspiring entrepreneurs.

DEVELOPMENT OF RURAL HORSE RACING:

Recognizing the economic potential of rural areas, we have made significant strides in the development of rural horse racing. This initiative has not only brought entertainment and excitement to rural communities but has also created employment opportunities and stimulated economic activity. By investing in infrastructure, training programs, and marketing efforts, we have seen a positive impact on local economies and the empowerment of communities through increased participation in the horse racing industry.

AWARENESS CAMPAIGNS ON ECONOMIC OPPORTUNITIES:

We recognize the importance of raising awareness about economic opportunities within the gaming and betting industries. Over the past year, we have undertaken extensive awareness campaigns to inform individuals, particularly those from historically disadvantaged backgrounds, about the various avenues available to them. Through partnerships with educational institutions, community organizations, and industry stakeholders, we have provided information on entrepreneurship, skills development, and job prospects within the sector. These campaigns have sparked interest, inspired aspirations, and encouraged individuals to pursue economic opportunities within the gaming and betting industries.



Creating economic opportunities for black individuals within the gaming and betting sector is a key objective. We have implemented programs and initiatives aimed at facilitating entrepreneurship, skills development, and job creation for black South Africans. By providing access to financing, mentorship, and training, we are empowering individuals to participate meaningfully in the industry. Through inclusive partnerships and supportive policies, we are fostering economic growth and addressing historical imbalances.

ILLEGAL GAMBLING:

The battle against illegal gambling remains a top priority for our industry. We are dedicated to eradicating illegal operations that undermine the integrity of the industry and harm our citizens. Through strengthened regulation, collaboration with law enforcement agencies, and public awareness campaigns, we have made significant strides in combatting illegal gambling. Our collective efforts aim to safeguard consumers, protect the interests of licensed operators, and create a fair and transparent gaming and betting environment.

CORPORATE SOCIAL INVESTMENT GBV INITIATIVE:

We acknowledge the industry's responsibility to contribute positively to society through Corporate Social Initiatives (CSI). Our portfolio encourages operators to embrace CSI practices that address social, economic, and environmental challenges. Additionally, we recognize the urgent need to address gender-based violence (GBV) within the industry. We are actively collaborating with stakeholders to develop comprehensive policies and programs that combat GBV, promote gender equality, and ensure a safe and inclusive gaming and betting environment for all.

In conclusion, this Annual Report underscores the significant progress achieved in the KZN gaming and betting sector, showcasing the industry's robust revenue generation, commitment to transformation, diligent efforts to combat illegal gambling, and the creation of economic opportunities for black persons. I extend my appreciation to all stakeholders for their unwavering support, dedication, and collaboration. Together, we will continue to shape an industry that contributes to our nation's economic growth, promotes social well-being, and upholds the highest standards of integrity.



Mr Siboniso Duma, MPL
MEC for Economic Development, Tourism and Environmental Affairs
Date: 31 July 2023



CHAIRPERSON'S STATEMENT

The KZNGBB Transformation Fund has been a pivotal key in driving the transformation agenda. The fund has supported small business in the traditional horse racing sector specifically in manufacturing, stakes and prizes, water supply through borehole installations as well as training and development.



MS MP MYENI
Chairperson: KZNGBB

1. OVERVIEW AND STRATEGY

The year commenced with the rapid recovery from the lockdown due to Covid restrictions and the turbulence from the July unrest in the province. Amid the circumstances the industry is doing remarkably well. There has been fast recovery and most of the licensees are operating. Both the Durban July and the Dundee July have yielded positive outcome for the province and the industry. The focus has been directed on economic growth and job creation.

2. BUSINESS DEVELOPMENTS AND TECHNOLOGY

Our strategic focus area is to grow and transform the industry. Staff have returned to the office, although most of the meetings are still held remotely. The GROF system that was introduced in order for the licensees to submit their applications online is up and running. The Board is committed to implementing the 4IR tools to make it simpler and easier for our licensees and the public to access the Board.

3. GOVERNANCE

As a Board our primary responsibility to stakeholders is to ensure that we meet our oversight responsibilities and add value to the Board's deliberations.

The Board of KZNGBB has had two resignations from Dr S.G. Ngcobo and Advocate K.P. Thango. Despite the Board not having the nine Board Members as stipulated in our Act, the Board and all Board Committees are functioning optimally. Our responsible MEC is in the final stages of appointing two members to the Board.

Dr Ngcobo and Adv. Thango left the Board in November 2022 and January 2023 respectively. They have had an exceptional impact on the growth of this entity and contributed tremendously towards the success of the gambling industry. We are forever indebted for their strategic leadership and commitment. The management of the entity produced exceptional service towards our stakeholders and ensure that the day-to-day business runs smoothly and efficiently as possible and for that we are forever grateful to them.

4. CORPORATE SOCIAL RESPONSIBILITY

Eradication of gender-based violence will remain a key focus area for the KZNGBB and during the year the Board has participated in a number of projects to address this horrific behaviour endemic to South Africa which has been ever more evident as of recently. There are other initiatives which are being led by the Communications Unit to ensure that lives of the public and communities at large are being taken care of and developed. The entity ensures to advance the livelihood of our province and bring change in the rural areas.

The KZN Provincial considers rural and township areas as catalysts for achieving Radical Economic Transformation. The KZNGBB was realigned for this purpose to contribute towards this initiative by also funding learners from under privileged schools.

5. BETTING

The Board is in the process of rolling out new bookmaking rights with ninety percent (90%) black ownership and providing opportunities for new entrants into the market.

In addition, an RFA for racecourse operators in the Traditional/Umtelebheloh Racing communities has been published for public consultation. This has the potential to positively impact all district municipalities in KZN.

6. BLACK INDUSTRIALIST PROGRAMME

The Board's strategic objective to drive transformation in the gaming and betting industry continues to gain traction through the Black Industrialist programme. During the course of the financial year nine projects have been monitored. These projects are aimed specifically at manufacturing in the sector specifically in relation to slots hardware and software, betting terminals and software monitoring systems. One project has already commenced with operational activities relating to the supply and installation of gaming CCTV security systems. Stakeholder relations have been strengthened by the establishment of MOU's with KZN Growth Fund and Ithala IDFC. These entities will support funding for new entrants into the gaming and betting industry

7. TRANSFORMATION FUND

The KZNGBB Transformation Fund has been a pivotal key in driving the transformation agenda. The fund has supported small business in the traditional horse racing sector specifically in manufacturing, stakes and prizes, water supply through borehole installations as well as training and development. The fund has been instrumental to job creation in the sector. For this period the following statistics are provided.

Transformation Fund Approved	- R1 047 813
Number of projects	- 8
Number of jobs created	- 52

8. LOOKING FORWARD

We are looking forward to a great year without any major challenges and hope that all management and staff will proceed with delivering the exceptional service at all costs.

Thank you to our external stakeholders, including our licensees, the Department of Economic Development, our new MEC responsible, the Honourable Mr Siboniso Duma and Representatives from Provincial Treasury and the Office of the Premier, for their engagement and support throughout the course of this year.

I wish to thank all our strategic partners, the Board of Directors and its Chief Executive, senior executives, officials and all stakeholders who actively participated in seeing the KZNGBB mandate take off. I am also appreciative to the entity for maintaining clean audits for the past financial years.

We will continue to strive for a government that upholds the high professional standards and clean governance.



Ms MP Myeni

Chairperson: KZNGBB

Date: 31 July 2023



CHIEF EXECUTIVE OFFICER'S OVERVIEW

Notably, a total of nine black companies have directly benefited from the Transformation Fund, harnessing its financial backing to realize their innovative visions and strategic initiatives. As a direct consequence, the Fund has also proven instrumental in generating substantial employment opportunities, resulting in the creation of 52 new jobs across diverse sectors.



MS PORTIA BALOYI
Chief Executive Officer

I am pleased to present the annual report for the KwaZulu-Natal Gaming and Betting Board, highlighting our achievements, challenges, and commitments for year ended 31 March 2023.

A) ORGANISATIONAL PERFORMANCE OVERVIEW

The gambling industry in KwaZulu-Natal continues to evolve and contribute significantly to our province's economy. Our regulatory framework, in line with national policies, has facilitated responsible gambling practices and Punter protection. We have witnessed the emergence of innovative technologies, new market segments, and increased consumer engagement. While celebrating these successes, we remain vigilant in addressing potential challenges related to social impact, addiction prevention, and ethical business conduct.

The effects of the pandemic, social unrest and floods that plagued the province in the last few years continues to impact the operations of the entity. Efforts to grow own revenue were put on the back burner as the economic

recovery plan for the industry took priority. For the 2022/23 financial year, own revenue increased by 9.5% to R29.4 million (2022: R26.8 million). The increase was primarily due to the increased interest income as a result of higher interest rates. The grants and subsidies received from government reduced to R50.7 million (2022: R51.5 million), the reduction was due to the once-off allocation of R3 million by the Department in 2022 not being repeated in the current year.

Operating expenditures increased to R88.0 million from R83.9 million, an overall increase of 4.9%. The higher costs were partly attributed to the recovery of the industry and distributions to beneficiaries. The KZNGBB is a labour-intensive entity and as a result compensation of employees is our largest expenditure item, for the year gone by the entity spent R64.7 million (2022: R62.4 million) compensating its employees, this was an effective increase of 3.75% from the previous year. The KZNGBB incurred a loss of R8 million (2022: loss of R5.7 million) for the current financial year. This reduced the reserve balance to R34.6 million (2022: R42.6 million). The continued reliance on reserves to operate remains unsustainable in the long term.

B) REVENUE GENERATION AND TAX COLLECTION:

In 2022-23 financial year, the KwaZulu-Natal Gaming and Betting Board achieved significant milestones in revenue generation and tax collection. Our diligent efforts resulted in 9.5% increase in revenue of R29.4 million as compared to R26.8 million for 2021-22. The growth is attributed to the collective success of the gaming and betting industry in the province. We are proud to report that our rigorous tax collection mechanisms ensured the timely remittance of R771.651 million taxes, contributing to the socio-economic development of the region.

C) CLEAN AUDIT OUTCOME:

I am delighted to report that KwaZulu-Natal Gaming and Betting Board has once again achieved a clean audit outcome for the third year running. This achievement underscores our unwavering commitment to transparent and accountable governance. Our financial practices, internal controls, and adherence to regulatory standards have been independently verified, affirming the integrity of our operations. The entity has various levels of oversight bodies in place to monitor the level of compliance on an ongoing basis. These structures have contributed to the clean audit achievement for the current year. The entity will implement an audit improvement plans to address housekeeping issues that were identified during the audit. We extend our appreciation to our dedicated team for upholding the highest standards of financial management and governance.

D) CAPACITY CONSTRAINTS:

As the gaming and betting industry continues to flourish, we acknowledge the challenges posed by capacity constraints. The increased demand for licenses, regulatory compliance, and oversight has stretched our resources. The current funding mechanisms are inadequate to meet the operating costs of the entity, which grows daily. The entity is required to ensure that the industry is regulated in a manner that protects the public, however the current resources limit the attainment of this objective. Human capital issues remain a threat as the entity is operating well below the required number of employees per the approved organogram. The shortage in staff is placing further strain on existing employees to carry the growing workloads. To address this, we have initiated a comprehensive review

of our operational processes, with a focus on optimizing efficiency and resource allocation. By investing in technology, talent development, and strategic partnerships, we aim to enhance our capacity and streamline operations to better serve our stakeholders.

E) INDUSTRY ECONOMIC DEVELOPMENT AND TRANSFORMATION:

The KwaZulu-Natal Gaming and Betting Board remains committed to its economic transformation objectives through the implementation of key initiatives such as the Black Industrialist Programme and the Transformation Fund. These initiatives are designed to drive inclusivity, stimulate local economic growth, and create sustainable opportunities within the gaming and betting sector. As of 31 March 2023, significant progress has been made in these endeavours, as outlined below.

F) BLACK INDUSTRIALIST PROGRAMME

The Black Industrialist Programme stands as a potent force driving transformative change and economic empowerment. With a steadfast commitment to fostering inclusivity and innovation, this program has paved the way for the development of 20 Black Industrialist across diverse sectors, including manufacturing and gaming and betting technologies. Within its scope, nine pioneering projects have been nurtured and supported, propelling the growth and evolution of industries.

Notably, this initiative's ripple effect extends to even the gaming and betting sectors, where three Black Industrialists have seized economic opportunities, leaving an indelible mark on these dynamic domains. Through strategic disbursements totaling R 1 217 813, the programme has not only provided essential financial backing but has also led to the creation of 45 valuable job opportunities. As a beacon of transformation, the Black Industrialist Programme continues to redefine economic landscapes and inspire a more inclusive, innovative, and prosperous future. In the realm of research and development, there is a dynamic wave of innovation sweeping through the gaming and betting sectors. The advent of cutting-edge gaming equipment, encompassing a fusion of sophisticated software and hardware, stands as a testament to this evolving landscape. Visionary technical engineers are at the forefront of this transformation, zealously conceptualizing and crafting novel products that are set to redefine the industry.



G) TRANSFORMATION FUND:

The Transformation Fund has played a crucial role in fostering positive economic development and growth. Through its strategic disbursement, a total sum of R1, 3 17 813 has been allocated to support the advancement of various black companies. This infusion of funds has yielded significant dividends, leading to the expansion and enhancement of these enterprises. Notably, a total of nine black companies have directly benefited from the Transformation Fund, harnessing its financial backing to realize their innovative visions and strategic initiatives. As a direct consequence, the Fund has also proven instrumental in generating substantial employment opportunities, resulting in the creation of 52 new jobs across diverse sectors. Such outcomes underscore the pivotal role of the Transformation Fund in catalysing progress and prosperity within the business landscape, ultimately contributing to broader socio-economic betterment.

H) GENERAL FINANCIAL REVIEW OF THE PUBLIC ENTITY

The effects of the pandemic, social unrest and floods that plagued the province in the last few years continues to impact the operations of the entity. Efforts to grow own revenue were put on the back burner as the economic recovery plan for the industry took priority.

For the 2022/23 financial year, own revenue increased by 9.5% to R29.4 million (2022: R26.8 million). The increase was primarily due to the increased interest income as a result of higher interest rates. The grants and subsidies received from government reduced to R50.7 million (2022: R51.5 million), the reduction was due to the once-off allocation of R3 million by the Department in 2022 not being repeated in the current year. Operating expenditures increased to R88.0 million from R83.9 million, an overall increase of 4.9%. The higher costs were partly attributed to the recovery of the industry and distributions to beneficiaries. The KZNGBB is a labour-intensive entity and as a result compensation of employees is our largest expenditure item, for the year gone by the entity spent R64.7 million (2022: R62.4 million) compensating its employees, this was an effective increase of 3.75% from the previous year, The KZNGBB incurred a loss of R8 million (2022: loss of R5.7 million) for the current financial year. This reduced the reserve balance to R34.6 million (2022: R42.6 million). The continued reliance on reserves to operate remains unsustainable in the long term.

I) DISCONTINUED KEY ACTIVITIES / ACTIVITIES TO BE DISCONTINUED.

In line with a Provincial Cabinet Resolution, the rationalisation process between the KwaZulu-Natal Gaming and Betting Board and the KwaZulu-Natal Liquor Authority has commenced in earnest. The KZNGBB will be the process of Rationalisation with sister entity, the KZN Liquor Authority. The procedural steps from a legislative perspective have been underway in the past year. There are workstreams that have been constituted of management from both entities to develop appropriate interventions with regards to Human Resources, ICT, Finance, Legal and Governance and Communications.

J) ALL CONCLUDED UNSOLICITED BID PROPOSALS FOR THE YEAR UNDER REVIEW

Nil

K) REQUESTS FOR ROLL OVER OF FUNDS.

The entity has applied to the Department for the rollover of R4.7 million for items that were in progress at year end. Approval is awaited of this amount. The entity has applied to the Department for the rollover of R4.7 million for items that were in progress at year end. Approval is awaited of this amount. The entity has applied to the KZN Treasury for the retention of its surplus of R25.3 million. These funds are required to sustain the operations of the entity for the next 3 years.

L) SUPPLY CHAIN MANAGEMENT

The SCM environment experienced a significant change with the publication of the 2022 Preferential Procurement Regulations. The entity adopted a new policy aligned to the provisions of the regulation; it also adapted its internal processes to ensure compliance. Staff have gone on training on the new standards.

M) WHETHER SCM PROCESSES AND SYSTEMS IN PLACE

The entity has implemented SCM processes and systems as required by the Legislation. The entity has functioning bid committees in place to review, evaluate and adjudicate on bids. The KZN Treasury plays a pivotal role in providing support and guidance to the entity whenever required.

N) CHALLENGES EXPERIENCED AND HOW RESOLVED.

The new preferential procurement regulations have resulted in an increase in the documentation to be submitted by service providers. This has resulted in situations where service providers refuse to bid for smaller items. In order to address this, the entity has held supplier development workshop with the service providers to assist them to comply. The entity is also engaging with the KZN Treasury to streamline the process for some of the procurement to be undertaken.

O) OUTLOOK/ PLANS TO ADDRESS FINANCIAL CHALLENGES.

To address the revenue shortfall, the entity has proposed changes to the Schedule 2 of the Act. These proposals have been sent to the Honourable MEC of Economic Development, Tourism and Environmental Affairs for consideration. The entity has begun developing and implementing its revenue maximisation strategy to try and grow own revenue.

P) EVENTS AFTER THE REPORTING DATE

There are no events after the reporting date that we have identified to bring to the user's attention.

Q) ECONOMIC VIABILITY

The entity remains a going concern provided that the approvals for rollovers and retentions are obtained from the Department. Failing which the entity would require additional funding to sustain its operations going forward.

R) AUDIT REPORT MATTERS IN THE PREVIOUS YEAR AND HOW WOULD BE ADDRESSED

The entity has maintained its clean audit outcome for the third year running. The entity has various levels of oversight bodies in place to monitor the level of compliance on an ongoing basis. These structures have contributed to the clean audit achievement for the current year. The entity will implement a audit improvement plan to address housekeeping issues that were identified during the audit.

S) OTHER (INFORMATION THAT NEEDS TO BE COMMUNICATED TO USERS OF AFS)

None

ACKNOWLEDGEMENTS/ APPRECIATION

I like to express my appreciation to the MEC responsible for the Gaming and Betting Portfolio, the Honourable Mr S. Duma, and the Section 8 Representative, Mr N. Mutheiwana for their unwavering support. I would also like to express my appreciation to previous Chairperson Dr S.G. Ngcobo and current Chairperson, Ms M. P. Myeni and Board Members for their leadership. Finally, I would like to appreciate the support that I have enjoyed from our dedicated Management team and the KZNGBB staff.



Ms P N Baloyi
Chief Executive Officer
Date: 31 July 2023



STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor-General.

The Annual Report is complete, accurate and is free from any omissions.

The Annual Report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury. The Annual Financial Statements (Part E) have been prepared in accordance with the Generally Recognised Accounting Principles (GRAP) standards applicable to the public entity.

The Accounting Officer is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The Accounting Officer is responsible for establishing and implementing a system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2023.

Yours faithfully



Chief Executive Officer

Ms P N Baloyi

Date: 31 July 2023



Chairperson of the Board

Ms MP Myeni

Date: 31 July 2023

STRATEGIC OVERVIEW



VISION

The epitome of excellence in the regulation and transformation of gaming and betting industries



MISSION

To ensure effective regulation and transformation of Gaming and Betting Industries of Kwa-Zulu Natal through:

- Strict compliance, enforcement of license conditions, and applicable legislation.
- Being a socially responsible industry and protecting the interest of the public by licensing qualified entities and individuals

4.3. VALUES

- Ubuntu and Integrity
- Professionalism and passion
- Exponential, innovative, and visionary leadership
- Fairness and impartiality and Ethical conduct
- Service excellence, commitment, transparency, and accountability



5. LEGISLATIVE AND OTHER MANDATES

KwaZulu-Natal Gaming and Betting Act (Act No. 8 of 2010)
The Board's core mandate is set out in Section 6 of the KwaZulu-Natal Gaming and Betting Act, 08 of 2010 as amended.

- Ensure that all gambling authorised under the Act is conducted in a manner which promotes the integrity of the gambling industry and does not cause harm to the public interest.
- Ensure that all gaming authorised under the Act promotes the province's objectives for developing a gaming industry, the priorities of which are the promotion of tourism, employment, and economic and social development in the province.
- Promote opportunities for persons contemplated in the definition of "broad-based black economic empowerment", as contained in the Broad-Based Black Economic Empowerment Act, 2003, to participate in the gambling industry of the province in the capacity of licensees or registrants under the Act.

- Increase the ownership stakes of persons contemplated in the definition of "broad-based black economic empowerment", as contained in the Broad-Based Black Economic Empowerment Act, 2003 in the gambling industry of the province.
- Develop appreciation for and knowledge of horse racing amongst all communities, particularly those comprised of historically disadvantaged persons.
- Limit restrictive practices, the abuse of dominant market position and mergers in the betting industry, as contemplated in the Competition Act, 1998 (Act No. 89 of 1998), and the Board is, for the purposes of the e said Act, a regulatory authority as defined in section 1 of that Act.

The aforesaid statutory objects of KZNGBB consolidate the objectives outlined in Section 6 of the KZN Gaming and Betting Act No. 8 of 2010 (Gaming and Betting Act) as tabulated below:

KZN Gaming and Betting Act No. 8 of 2010

- To provide for the regulation of gaming, horse racing and betting in the Province of KwaZulu-Natal
- To provide for restrictions on gaming and betting
- To provide for the establishment of a provincial Gaming and Betting Board
- To provide for the licensing of persons conducting casinos and bingo games
- To provide for the licensing of gaming machine operators, racecourse operators, totalisators, and bookmakers
- To provide for the registration of certain persons
- To provide for the imposition of fees, taxes, levies and penalties on the various gambling activities
- To provide for the appointment and authorisation of inspectors and their powers and duties
- To provide for the establishment of a Horse Racing and Betting Transformation Fund, and
- To provide for matters connected therewith

PROVINCIAL LEGISLATIVE PRESCRIPTS

Provincial legislative prescripts that affect the statutory mandate of KZNGBB are tabulated hereunder insofar as these regulate gaming and betting a licensing. The following table summarises the provincial legislative mandate column and a corresponding purpose and explanation column as these columns pertain to gaming and betting licensing:

Provincial Legislative Mandates	Purpose and Explanation
Gaming and Betting	
KwaZulu-Natal Gaming and Betting Act (Act No. 8 of 2010)	<ul style="list-style-type: none"> • Governs the regulation of the gaming industry and the regulator's operations. • Protect the interests of the public by ensuring the integrity of legalised gambling through strict enforcement of applicable legislation. • Protect the licensing of qualified entities and individuals. • Fulfil the objectives of the provincial government to deliver a significant source of revenue, enhance tourism, develop, transform the gaming, and horse racing industry. • Promote broad socio-economic and employment opportunities • Provides for the payment of taxes by persons licenced in terms of the Act and matters connected therewith
KZN Gaming and Betting Amendment Act (Act No. 4 of 2017)	
KZN Gaming and Betting Regulations, 2012	
KZN Gaming and Betting Board: Gaming Rules, 2013	
KwaZulu-Natal Gaming and Betting Tax Act (Act No. 9 of 2010)	

NATIONAL POLICY FRAMEWORK

The national legislative mandates of KZNGBB are tabulated below insofar as these relate to gambling and betting licensing.

National Legislation and other mandates	Purpose and Explanation
Gaming and Betting	
National Gambling Act (Act No. 7 of 2004, as amended)	<ul style="list-style-type: none"> • Provide for the co-ordination of concurrent national and provincial legislative competence over matters relating to casinos, racing, gambling, and wagering, and provides for the continued regulation of those matters. • Establishes certain uniform norms and standards applicable to national and provincial regulation and licensing of certain gambling activities. • Provides for the creation of additional norms and standards applicable throughout the Republic
National Gambling Regulations	

NATIONAL POLICY FRAMEWORK

The national policies and standards detailed below are published by the national sphere of government. These represent a selection that has a direct impact on KZNGBB's operations:

Legislative and other mandates	Explanation
National Development Plan 2030	<ul style="list-style-type: none"> • A Policy document of the South African Government drafted by the National Planning Commission in August 2012, and aims to eliminate poverty and reduce inequality by 2030
National Treasury's Framework for Strategic Plans and Annual Performance Plans	<ul style="list-style-type: none"> • Sets out a framework to align strategic and annual performance planning with the emphasis on the outcomes-oriented monitoring and evaluation approach led by the Presidency. Institutions must focus on the achievement of outcomes-oriented planning and report the results in a simple and clear manner
National Treasury: 2022 MTEF Technical Guidelines for Provinces	<ul style="list-style-type: none"> • Guidelines for the preparation of expenditure estimates for the 2022 Medium Term Expenditure Framework (MTEF)
National Treasury: Guidelines For Implementation of the Revised Framework for Strategic Plans and Annual Performance Plans	<ul style="list-style-type: none"> • Provides guidance on what should be in Annual Performance Plans and Strategic Plans, as required by National Treasury
Medium-Term Strategic Framework 2019–2024	<ul style="list-style-type: none"> • The planned manifestation of an implementation of the NDP Vision 2030, and the implementation of the electoral mandate of the Sixth Administration of government
KwaZulu-Natal Provincial Planning Commission: 2035 KZN Provincial Growth and Development Strategy and Plan	<ul style="list-style-type: none"> • Is aligned within the current provincial, national and global policy frameworks, namely the six Provincial Priorities, the Twelve National Outcomes, the New Growth Path, the National Planning Commission's Diagnostic Report and National Development Plan and the Millennium Development Goals (MDGs)
South Africa's Economic Transformation: A Strategy for Broad-Based Black Economic Empowerment	<ul style="list-style-type: none"> • Stipulates details pertaining to B-BBEE Strategy with the aim of facilitating growth, development, and stability in the South African Economy • Emphasises the importance of a partnership approach to achieving BEE and as such the document specifically addresses the question of sector charters and partnerships
B-BBEE Amended Codes of Good Practice	<ul style="list-style-type: none"> • Primary purpose of the BBEE Codes is to address the legacy of apartheid and promote the economic participation of Black People in the South African economy. • It incorporates seven elements: ownership, management control, employment equity, skills development, preferential procurement, enterprise development and socio-economic development
Gaming and Betting	
National Gambling Policy, 2016	<ul style="list-style-type: none"> • Outlines the policy position that intends to review the gambling landscape in South Africa
National Standards for Gaming Equipment	<ul style="list-style-type: none"> • All gambling machines and devices must comply with these standards to protect the public



FINANCIAL AND SOCIO-ECONOMIC LEGISLATIVE MANDATES

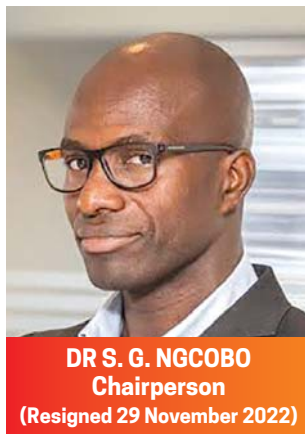
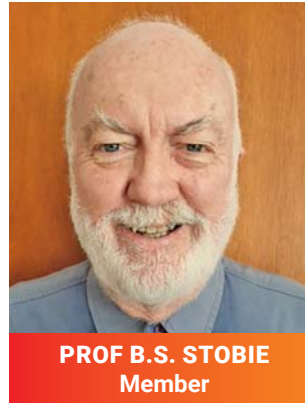
The legislative mandates covering financial and socio-economic matters, as well as other generic legislation that also have an impact on the operations of KZNGBB are listed below:

Financial and Socio-Economic Legislative Mandates	Purpose and Explanation
Financial Legislative Mandates	
Public Finance Management Act (Act No. 1 of 1999, as amended)	<ul style="list-style-type: none"> Retained status as a Schedule 3C Public Entity Outlines fiduciary responsibilities of Board members of the KZNGBB
National Treasury Regulations: For Departments, Constitutional Institutions and Public Entities Issued in terms of the Public Finance Management Act (Act No. 1 of 1999, as amended)	<ul style="list-style-type: none"> Ensures a system of financial management is in place Ensures transparency, accountability and sound management of the revenue, expenditure, assets and liabilities Ensures the elimination of waste and corruption in the use of public assets
Financial Intelligence Centre Act (Act No. 38 of 2001)	<ul style="list-style-type: none"> Reveals the movement of monies derived from unlawful activities, thereby curbing money laundering and other criminal activities
Prevention and Combating of Corrupt Activities Act (Act No. 12 of 2004)	<ul style="list-style-type: none"> Provides for the prevention and combating of corruption activities as these relate to the provincial priority of eradicating corruption
National treasury Supply Chain Management: A Guide For Accounting Officers/ Authorities	<ul style="list-style-type: none"> Provides guidelines on Supply Chain Management This Guide sets out the philosophy behind the adoption of an integrated Supply Chain Management (SCM) function across government and will assist stakeholders to understand the responsibilities this implies
National Treasury: Guideline on Budget Submissions for Large Strategic Infrastructure Proposals	<ul style="list-style-type: none"> Supports the execution of national priority projects and programmes by establishing specialised structures, procedures and criteria for committing fiscal resources to public infrastructure spending
National Treasury: Guidelines for Costing and Budgeting for Compensation of Employees	<ul style="list-style-type: none"> Stipulates the set compensation ceilings during the 2021 MTEF Makes provision for Human Resource Budget Plans to indicate the manner in which public entities will manage their workforce within the allocated compensation budget ceiling
Socio-Economic Legislative Mandates	
Broad-Based Black Economic Empowerment Act (No 53 of 2003), as amended	<ul style="list-style-type: none"> Provides the framework for the promotion of black economic empowerment and matters connected therewith Provides for the empowerment of black owned companies to enter into the mainstream economy Ensure that black owned companies have access to opportunities in the mainstream economy in an effort to transform the economy and reduce inequality, and Ensure that the necessary support is provided to black enterprises plus targeted groups (women, youth and people living with disabilities) to enable them to successfully compete for opportunities in the economy
Disaster Management Act (Act No. 57 of 2002)	<ul style="list-style-type: none"> Provides for: <ul style="list-style-type: none"> An integrated and co-ordinated disaster management policy that focuses On preventing or reducing the risk of disasters, mitigating the severity of disasters, emergency preparedness, rapid and effective response to disasters and post-disaster recovery The establishment of national, provincial and municipal disaster management centres Disaster management volunteers, and Matters incidental thereto
Promotion of Access to Information Act (Act No. 2 of 2000)	<ul style="list-style-type: none"> Gives effect to the constitutional right of access to any information held by the State that is required for the exercise or protection of any rights, thereby promoting transparency, accountability and effective governance of all public bodies
Promotion of Administrative Justice Act (Act No. 3 of 2000)	<ul style="list-style-type: none"> Any act or decision of the Board that contravenes the principles of procedurally fair administrative actions are subject to judicial review
Occupational Health and Safety Act (Act No. 85 of 1993)	<ul style="list-style-type: none"> Make provision for the regulation of Occupational Health and safety, basic conditions of employment, employment equity and labour relations.
Employment Equity Act (Act No. 55 of 1998)	<ul style="list-style-type: none"> KZNGBB ensures, through their compliance and monitoring function, that licensees, amongst others, are compliant with regulatory and legislative requirements relevant to employment equity
Labour Relations Act (Act No. 66 of 1995)	<ul style="list-style-type: none"> KZNGBB ensures, through their compliance and monitoring function, that licensees, amongst others, are compliant with regulatory and legislative requirements relevant to employment equity
Basic Conditions of Employment Act (Act No. 75 of 1997)	<ul style="list-style-type: none"> KZNGBB ensures, through their compliance and monitoring function, that licensees, amongst others, are compliant with regulatory and legislative requirements relevant to employment equity

6. ORGANISATIONAL STRUCTURE



7. KWAZULU-NATAL GAMING AND BETTING BOARD MEMBERS



8. VALUE CREATED BY THE KZNGBB

VALUE PROPOSITION OF KZN GAMBLING INDUSTRY TO PROVINCIAL GOVERNMENT, COMMUNITIES, AND LICENSEES

KZNGBB VALUE ADDED STATEMENT					
Value Added (R'000)					
Item	2018/19	2019/20	2020/21	2021/2022	2022/2023
Total Revenue	73 484	76 741	80 993	78 262	80 040
Revenue (Taxes)	684 696	723 770	473 977	672 280	771 654
Total	758 180	800 511	554 970	750 542	851 694
Value Allocated					
To employees	48 865	57 209	62 777	62 405	64 745
To suppliers	31 899	31 596	22 187	23 057	22 331
To beneficiaries (taxes)	42 474	45 080	52 908	67 450	63 283
To beneficiaries (transformation fund)	0	0	0	0	1 048
Total	123 238	133 885	137 872	152 912	151 407
Total Value Created	634 942	666 626	417 098	597 630	700 287

TRANSFORMATION FUND



Through its strategic disbursement, a total sum of **R1, 317 813.54**

has been allocated to support the advancement of various black companies. Total of nine black companies have directly benefited from the Transformation Fund

As a direct consequence, the Fund has also proven instrumental in generating substantial employment opportunities, resulting in the creation of

52 NEW JOBS



across diverse sectors.

KZNGBB SUPPORTS EQUINE SECTOR

The KZN Gaming and Betting Board together with the gaming and betting industry have provided support to the traditional horseracing festival with contributions towards winning stakes as well as horse feed. The Transformation Fund which is administered by the KZNGBB is also a vehicle that has been used to bring about change in the Traditional Equine Sector. Joint contributions from KZNGBB, Transformation Fund and the gaming and betting industry has amounted to R 1 104 620 inclusive of contributions that were provided by 2020. The contribution for winning stakes for the Dundee Traditional Horse-riding Festival are dependent on the sponsorship that the local organising committee collates from various stakeholders. The KZN Gaming and Betting Board, as well as the gaming and betting industry have contributed an amount of R398 000 towards the winning stakes which are provided to the winning horse owners as well as jockeys. The KZN Gaming and Betting Industry has sponsored an amount of R33 500 towards the horse feed for participating horses over a period of two years.

KZNGBB Transformation Fund Acts a Catalyst for Traditional Equine Development. The Transformation fund in 2022 provided funding to critical projects which form part of the equine industry value chain through the Dundee Chapter of the Traditional Horseracing Association, the projects during 2022 and 2023 included the following.

Projects Funded during 2022:

Installation of Borehole at Traditional Horseracing Racetrack in Dundee, with 16 Jobs created at a cost R156 900 Provision of 50 Horse Blankets which created 22 Jobs at an investment of R 199 720 Projects.

Funded during 2023:

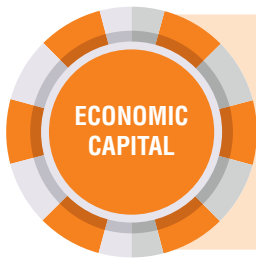
Funding of Nguni skin and Elephant Leather project wherein manufacturing of saddles and accessories with the creation of 15 jobs at an investment of R170 000. **Maintenance of Dundee Traditional Horseracing Track.**

Over the past three years, Ithotho Pty Ltd, which is traditional racecourse operator, and licensee of the KZNGBB has contributed **R 90 000** to ensure infrastructure present at the Dundee Horse Racing Track is in a state of readiness for the fixtures in the day.





The entity received a grant fund of R50.7 million. The industry contributed a total procurement of R1 214 964 731,13 towards companies owned by vulnerable groups. **R80 040** being distributed to Beneficiaries.



We collect revenue (taxes) for the province which contributes about 20 percent of the total own revenue for the Provincial Government, Tax Distribution in terms of the Tax Act resulted in R 771.654 million being generated for the Provincial Revenue fund.



By supporting responsible gambling practices and channelling a portion of our profits toward social initiatives, we actively contribute to social welfare programs, education, and public health campaigns, enhancing the government’s efforts to uplift marginalized communities. We depend on licensees to create jobs, Corporate Social Investment, SMME and Enterprise Development, contribute to Tourism spatial and infrastructural development and to support the rural economy. The CSI contribution for the period under review was R22 637 566 .



We are one of nine Provincial Gambling Regulators and carry the provinces constitutional mandate in respect of regulating the industry.



PART B:

PERFORMANCE INFORMATION



1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA/auditor currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the Auditor's Report. Refer to pages 75 to 78 of the Report of the Auditors Report, published as Part E: Financial Information.

2. SITUATIONAL ANALYSIS

This situational analysis provides an update on the current state of the gaming and betting industries in KwaZulu-Natal (KZN), South Africa. It includes relevant statistical and demographic information to provide a comprehensive understanding of the sector's status.

The purpose of conducting a situational analysis for the gaming and betting industries in KwaZulu-Natal (KZN) is to gain a comprehensive understanding of the current state of the sector. It serves as a foundation for informed decision-making, strategy formulation, and identifying opportunities and challenges within the industry.

The gaming and betting industries in KZN continue to thrive, driven by technological advancements, evolving consumer preferences, and regulatory frameworks. The online gambling sector is experiencing significant growth, providing new opportunities and challenges for operators. However, ensuring responsible gambling practices, addressing potential social impacts, and adapting to changing consumer behaviours remain key considerations for the sustainable development of the industry. Continuous monitoring and adaptation of strategies are essential to navigate the dynamic landscape of the gaming and betting industries in KZN.

KZNGBB PROBLEM STATEMENTS INFORMING THE PLANNING PROCESS

Problem Statement	Mandate of KZNGBB	KZNGBB Outcomes (core)	Assumptions	Impact
Triple challenges of High level of: <ul style="list-style-type: none"> • Unemployment, • Poverty, and • Race and gender Inequality 	To regulate and transform the Gaming and Betting industries in the province of KwaZulu-Natal	1. Inclusive, equitable and transformative industry that catalysed investment, job creation and tourism development	<ul style="list-style-type: none"> • <i>Job/employment</i> opportunities created within the Gambling industries. • Black Industrialist and SMME are participating in the mainstream economy of Gambling industries. • Improved KZNGBB Governance and compliance level with applicable legislations • Gambling industries are well-<i>Transformed and Regulated</i> • Rural Horse Racing developed and incorporated within local economic development activities. • KZNGBB is <i>financial sustainable</i> and capable with 30% dependences on government grants. • KZNGBB has efficient and effective process and system to meet customer and stakeholder needs. • Improved economic participation by women, youth, and people with disability. • Gambling industry is <i>socially responsible and protect the interest of the public</i> 	• A regulated, transformed, and socially responsible Industry that contributes to job opportunities and protection of public interest.
Triple tragedy challenges of: <ul style="list-style-type: none"> • <i>Floods</i> • <i>Civil Unrest</i> • <i>Covid</i> 		2. A compliant and socially responsible industry that protects the interests of the public		
Industry related challenges: <ul style="list-style-type: none"> • The lack of industry transformation, • Continuous economic exclusion, • skewed ownership patterns within Gaming and Betting industries • Illegal and irresponsible gambling 		3. Grow revenue for Provincial Government and the Entity		
		4. Optimized Institution with efficient and effective processes and systems		

SERVICE DELIVERY ENVIRONMENT

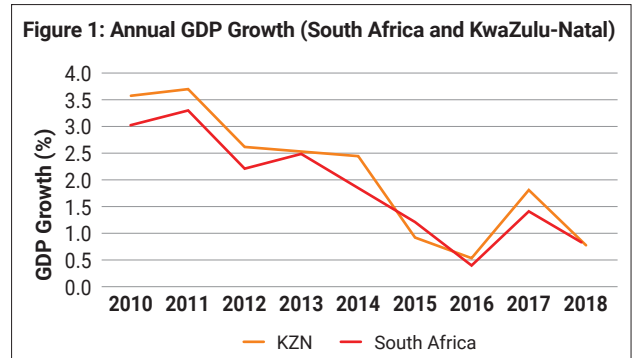
GLOBAL ECONOMIC OUTLOOK (GROWTH AND INFLATION)

GLOBAL ECONOMIC OUTLOOK:

- Global growth is projected to fall from an estimated 3.4% in 2022 to 2.9% in 2023.
- Global outlook remains benign, high debt service obligations which constitute burden on government finances.
- Global growth is expected to slow in 2023 to 2.9 per cent, with significant risks to the outlook tilted largely to the downside
- Weakened growth potential weighs in heavily on global economy's capacity to reduce unemployment levels in medium term.

DOMESTIC ECONOMIC OUTLOOK:

- Real GDP growth is now projected to average 1.4 per cent from 2023 to 2025, compared with 1.6 per cent in the 2022 MTBPS.
- The National Treasury forecasts real economic growth of 2.5 per cent in 2022 compared with 1.9 per cent projected in the 2022 MTBPS.
- GDP growth is projected to be 0.9 per cent in 2023 and to average 1.4 per cent through 2025
- SARB projects.
- The SARB now forecasts 2023 GDP growth at 0.2% – broadly unchanged from the 0.3%

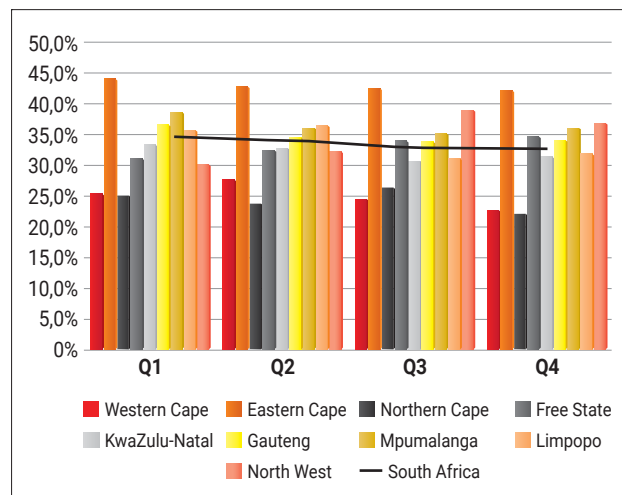


Source: Stats SA and Quantec Research, 2019

KZN ECONOMIC OUTLOOK

KZN ECONOMIC OUTLOOK:

- In 2022 the South African economy was hit by a range of domestic shocks, beginning with floods in KwaZulu-Natal (KZN) in the second quarter, followed by an increase in the intensity of load-shedding from the third quarter onwards.
- The South African Reserve Bank (SARB) expects trading-partner growth to reach 2.0% in 2023 and to rise to 2.5% in 2024 and further to 3.1% in 2025.
- GDP is expected to grow by 0,2% in 2023.
- Slow annual growth rate anticipated.
- KZN's economy is expected to remain at 1.7 per cent in 2023.
- SA recorded a substantial and consistent growth in unemployment level over the past decade
- The weak growth performance still evident in labour market. Annualised growth rate of 2.65.

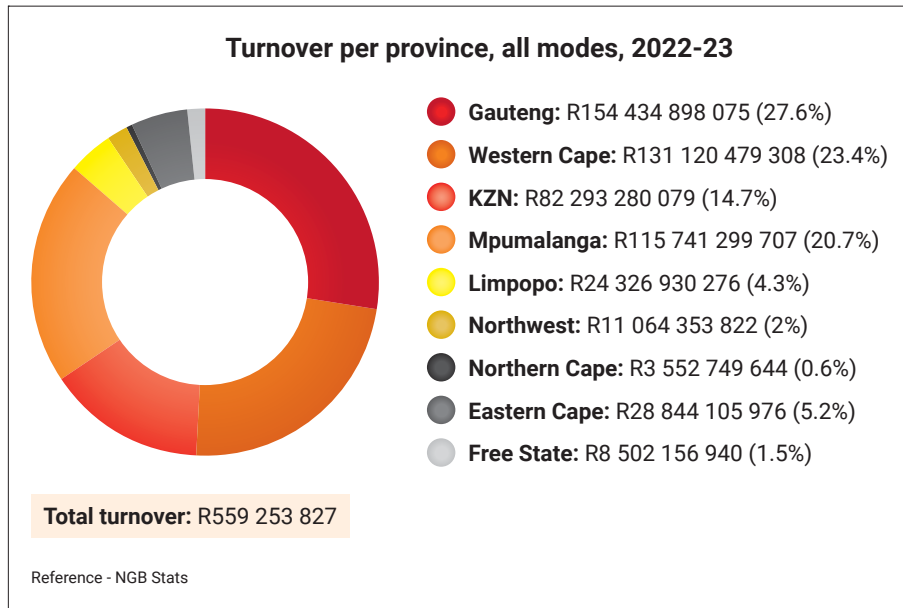


- Weak growth performance evident in labour market.
- In KZN, employment has been declining.
- In 2022 Q4, provincial employment was estimated at 2.648 million jobs..
- KZN struggling to sustain job creation. In Quarter 4 KZN regain 2000 jobs as compared to 45 000 jobs lost in 2021.
- Unemployment rate increased by 2.6% to reach 31,4%



GAMBLING MARKET SHARE STATISTICS BY PROVINCE

Below is the national gambling industry by market share as at 2022.



SIZE OF GAMBLING MARKET BY TURNOVER AS AT 2022:

Gauteng (27.6%) accounted for the highest TO in respect of all gambling modes, followed by the Western Cape (23.4%) and Mpumalanga (20.6%).

Top 3 Provinces:

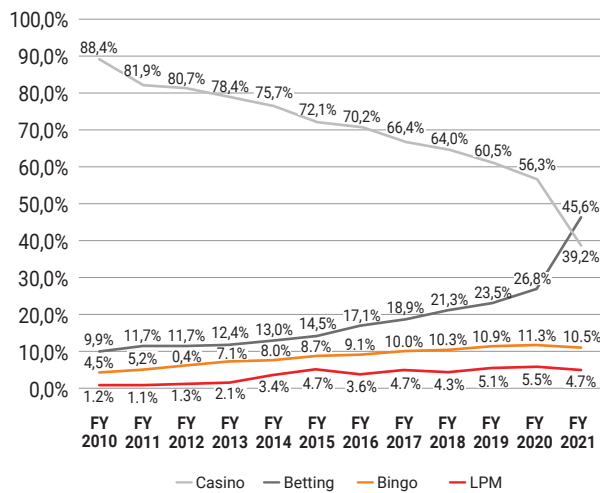
Gauteng – 27,6%
R154 434 897 075

W Cape - 23,4%
R1 311 204 790 308

Mpumalanga– 20,7%
R 115 741 229

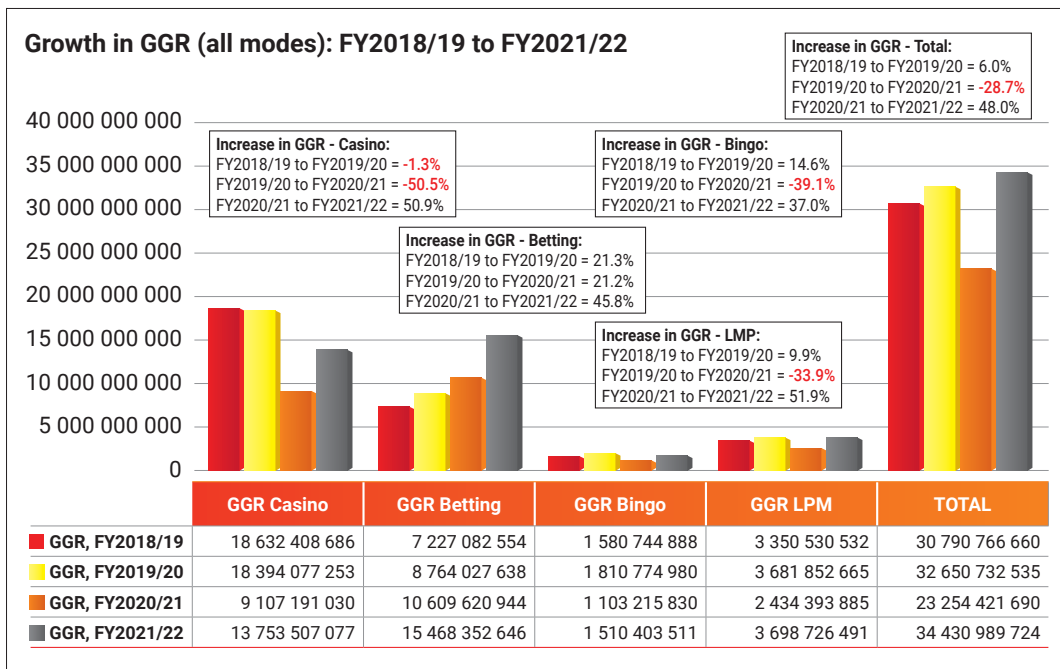
SA GAMBLING INDUSTRY OUTLOOK

Trend in share of total GGR, comparison all modes (FY2009/10-FY2020-21)



- Illegal online gambling is difficult to monitor and regulate.
- The popularity of horse racing has been declining in recent years in favour of sports betting.
- The gambling industry is recovering from the loss of business during the pandemic when casinos and bars were shut. However, industry sources say casino and bingo revenues are still below pre-pandemic levels, with the rebound being driven by **betting and limited payout machines**.
- Currently, the betting industry holds the largest share of the total Gross Gambling Revenue (GGR) in the market, accounting for 44.9%.
- This is evidence with the growth of Mpumalanga which largely driven by a robust betting sector, which expanded by an impressive 183%.
- The betting industry is followed by the casino sector, which contributes 39.9% of the GGR, followed by the Local Permissible Machine (LPM) sector with a 10.7% share, and finally, the bingo sector with a 4.4% share.

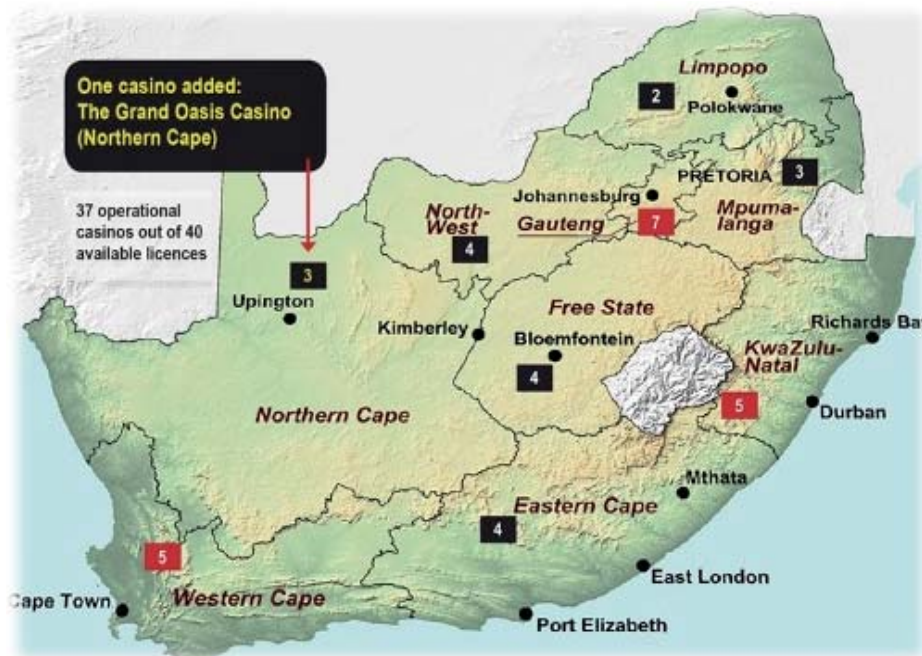
GGR – TREND OVER TIME: FY2019 – FY2022



INCREASE IN GGR IN ALL MODES OF GAMING:

All provinces experienced positive growth over the past financial year, with Mpumalanga standing out as an outlier at 139.1% growth in GGR. Northwest and Limpopo also experienced high levels of growth at 74.3% and 72.7% respectively.

CASINO INDUSTRY



OPERATIONAL CASINO POSITIONS (AS AT 2019):

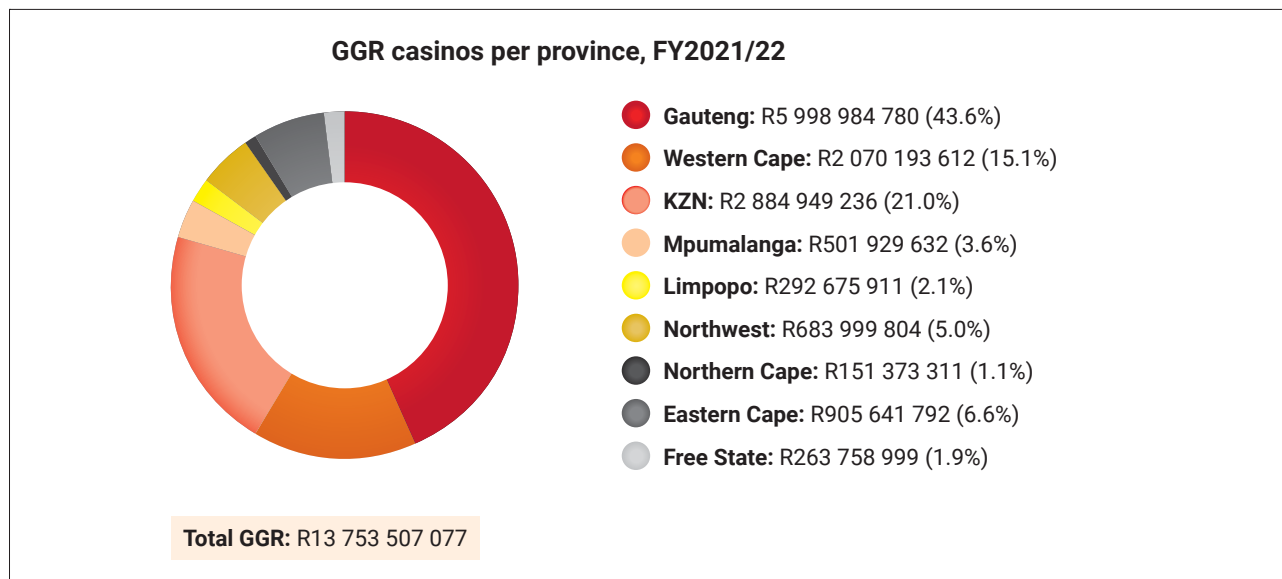
Gauteng – 9729
 W Cape - 4 478
 KZN– 6 454
 E Cape – 2 403
 Mpumalanga* – 1921
 N West – 2 501
 Free State* – 1 361
 N Cape – 729
 Limp- 939
 * Gambling and Liquor Authorities

New Gaming Activities:

New gaming positions in KZN (2019/2020) – 4130 slots and 166 tables.



CASINO INDUSTRY



- Gauteng has the highest percentage of **GGR** at **43,6% (R5 998 984 780)**. This reflect a 2% decline as compared to 45% in 2021. The province has the highest concentration of casinos (7).
- KwaZulu-Natal (5 casinos), has the second highest share of **GGR** at **21,0% (R2 884 949 236)**. This reflect a growth of **2%** from **19,6%** in 2021.
- Western Cape's (5 casinos), accounts for **15%** of South Africa's **GGR (R2 070 193 612)**.

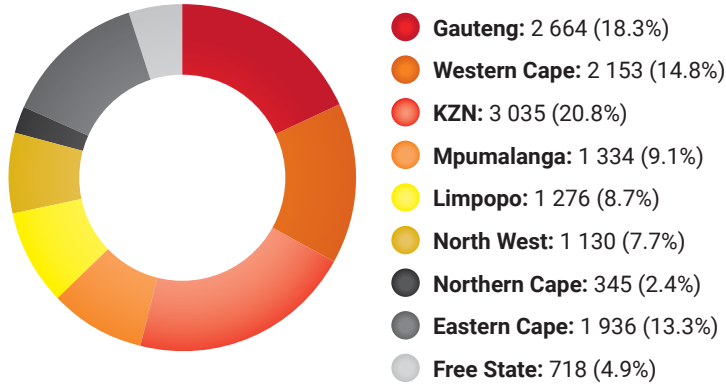
KEY OBSERVATIONS FOR THE CASINO INDUSTRY

KEY INDUSTRY OBSERVATIONS:

- **Taxes** – In the fiscal year 2021/22, Provincial Licensing Authorities (PLAs) collected a total of R1.4 billion in taxes/levies from the casino sector, marking a significant 61.6% increase from the previous year's total of R866.6 million in FY2020/21. This amount accounts for 44.5% of the overall taxes/levies collected across all gambling modes, showcasing the substantial contribution of the casino sector to the total revenue generated from gambling activities
- **Jobs** – (Overall, both on a national level and specifically within KwaZulu-Natal province, the casino sector emerges as a leading contributor to direct employment within the gambling industry= **Total 4312**)
- **Current economic conditions** – negatively impacted on disposable income available to consumers as well as.
- **Transformation** – The Broad Based Black Economic Empowerment Ratings moved from level 1 to between level 2 and level 3. Strategy and research including (i) Group structures – determination of beneficial interest to Black people is difficult as ownership is held by union (*SACTWU funds job creation and health programmes as well as provides bursaries to children of its members who seek to go to educational institutions*); (ii) competition issues to be considered; (iii) inadequate determination of local participation and ownership by Black People; (iv) SMME; (v) job creation; and (vi) skills development.
- **Opportunities in the Manufacturing of Gaming Equipment.**

LIMITED PAY-OUT MACHINE INDUSTRY

Number of active LPMs per province, FY2021/22, as at 31 March 2022



Total: 14 591

The total number of active LPM's as of 31 March May 2022 were **13 441**

LPM Stats KZN

- Operational LPM – **3 035**
- LPMs on Bingo Sites – **500 out of 500**
- Total active LPM sites – **552**, down from **575** in prior year

Comment:

To release second tranche NGB must conduct social impact study.

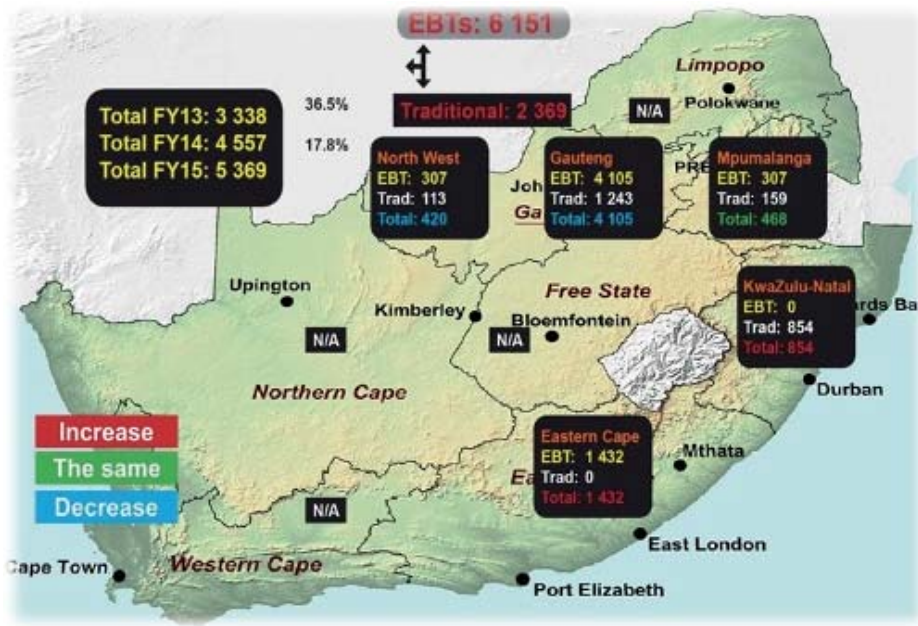
KEY OBSERVATIONS FOR THE LPM INDUSTRY

KEY OBSERVATIONS

- Taxes** – Gaming Tax revenues from Route Operators for 2019/20 was **R442 Million**, a **51.7%** increase from the previous financial year .This is still a potential Growth area for new gaming opportunities for Black People and Type B Roll out.
- Current economic conditions** – primarily located in bars, clubs and restaurants etc.
- Central Electronic Monitoring System** - Route Gaming – No material changes
- ISOs** - Long outstanding Independent Site Operators still pending (17 licences) – resuscitate roll out / increase Black ownership percentage. New RFA Proposed.
- Limitation of ISO numbers** – There are **500 LPMs** remaining form the **500** which were allocated as first tranche. NGB to be approached.
- Transformation** - Potential growth in LPMs – (i) LPM roll out strategy and criteria to be considered (post KZN Social Impact study); (ii) encourage further economic growth opportunities; and (iii) create more B-BBEE owned businesses through site operations.



BINGO INDUSTRY



KZN STATS AS AT 2021:

Active Bingo Halls - 21 out of 22

New Gaming Activities:

Gauteng – Intends rolling out Bingo (incl. EBTs)

KZN - No new roll out.

Mpumalanga – Revisiting roll out of more Bingo

Limpopo – Planned RFA for Bingo

Free State – Planned RFA for Bingo

W Cape – No new roll out

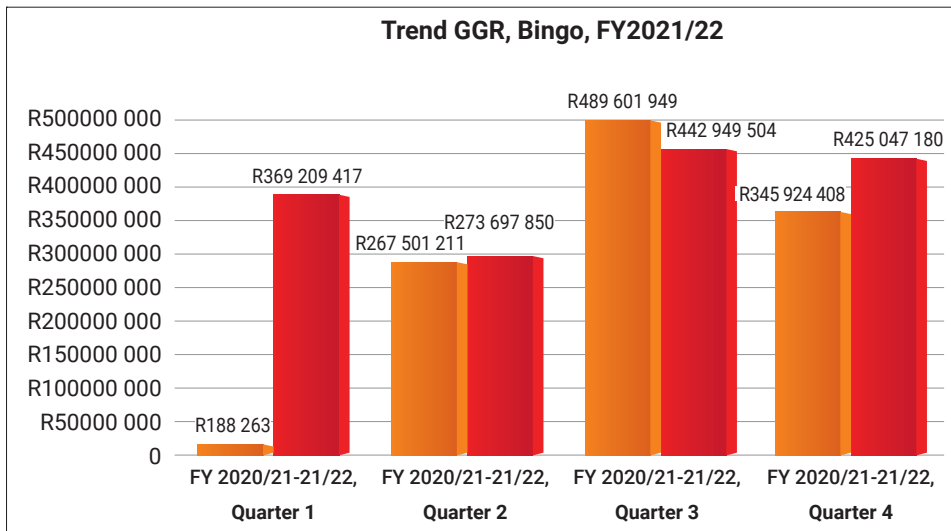
E Cape – No new roll out

N West – No new roll out

N Cape – No new roll out

Reference – NGB NGPC Presentation to CEO Forum June 2018

GGR FOR BINGO INDUSTRY



* Bingo offered for play in Gauteng, Mpumalanga, Limpopo, North West, Eastern Cape and KwaZulu-Natal only

NEW GAMING ACTIVITIES:

Gauteng: 2 475 (28%)

Eastern Cape: 2 158, (25%),

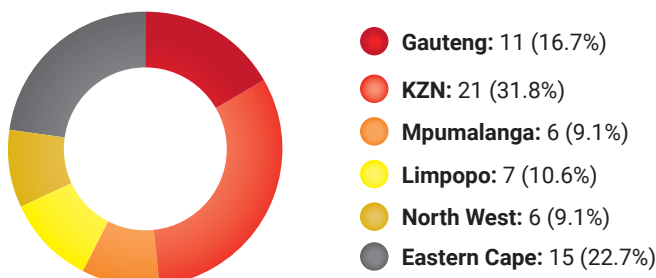
KwaZulu-Natal: (1 776, (20%),

Mpumalanga: 746, (6%)

North West: 780, (9%) and

Limpopo: 1 025, (12%).

Number of operational bingo outlets per province, FY2021/22 as at 31 March 2022



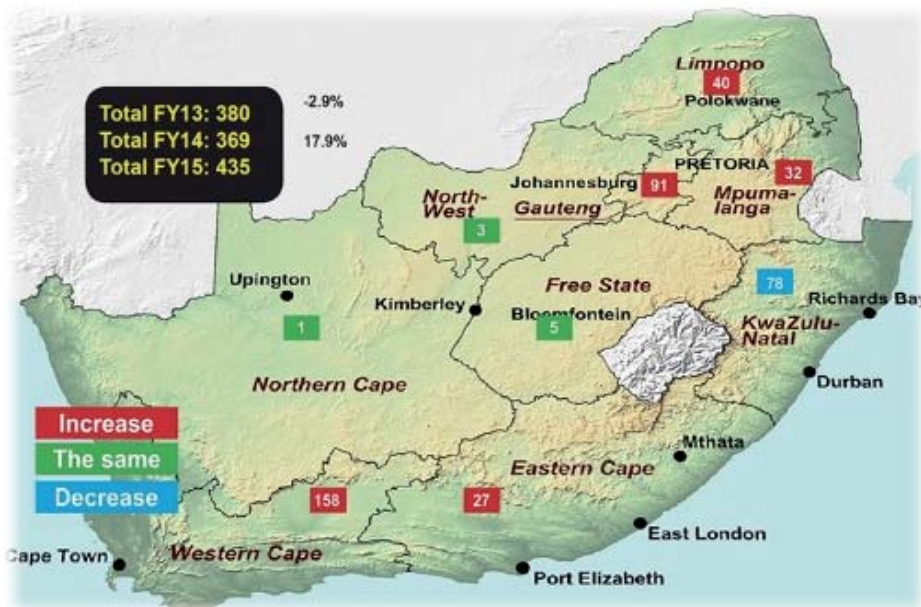
KEY OBSERVATIONS FOR THE BINGO INDUSTRY

KEY OBSERVATIONS

- **Taxes** – Gaming Tax revenues from Bingo Operators for 2021-22 is R138 146 595, an increase of 48.5% from the previous financial year .
- **Bingo Halls** - KZN has not fully rolled out on licensed Bingo Halls. 21 out of 22 are operational.

- **Socio-economic development** - Local major contribution to SED by Bingo licensees in lieu of commitments as was required for Casinos.
- **Transformation** – Strategy and research including – (i) Group structures – ownership held by union and competition issues to be considered; (ii) inadequate determination of local participation and ownership by Black People; (iii) SMME; (iv) job creation (despite EBT roll out); and (v) skills development.

BOOKMAKING INDUSTRY



NEW GAMING ACTIVITIES:

- KZN** - Roll out of non-operational bookmaking rights
- Gauteng** – Determining new rights
- Free State** – Determining new rights
- E Cape** – No planned roll out
- W Cape** – No planned roll out
- Mpumulanga** – No planned roll out
- N West** – No planned roll out
- N Cape** – No planned roll out

TOTALISATOR OUTLETS BY PROVINCE



NEW GAMING ACTIVITIES:

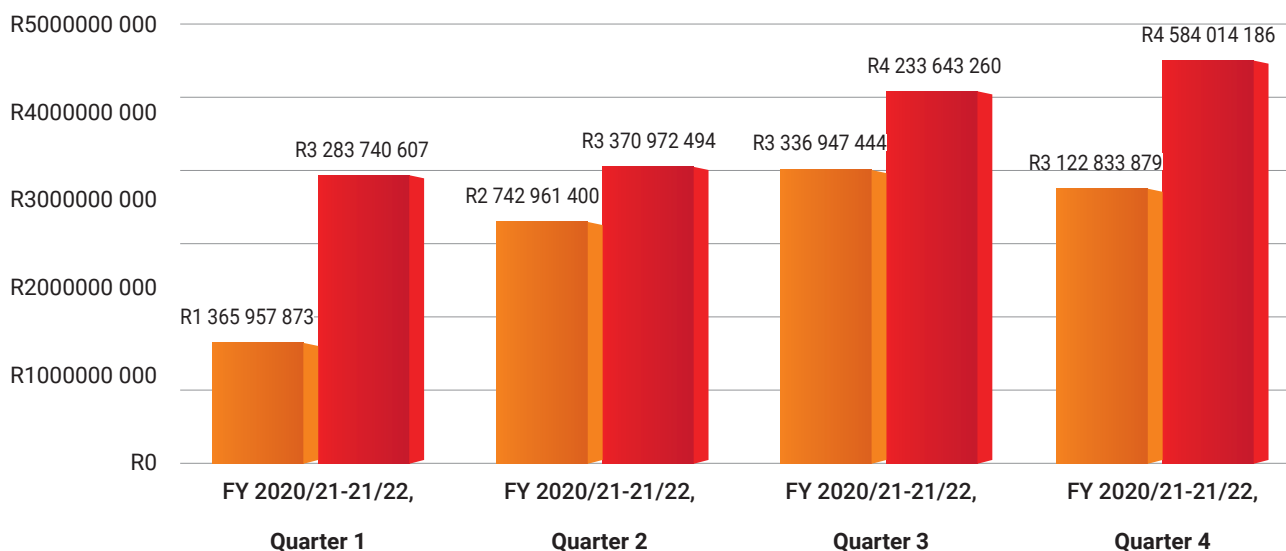
- KZN** - Plans to formalise rural horseracing
- Mpumulanga** – Expression of Interest for Racetrack
- N West** – Policy discussions around Greyhound Racing (currently illegal)
- E Cape** – Expression of Interest for Racetrack
- Free State** – No plans
- Gauteng** – No plans
- W Cape** – No plans
- N Cape** – No plans



NATIONAL STATISTICS FOR GGR FOR BETTING SECTOR

Trend in GGR, betting (totalisators and bookmakers), per quarter

FY 2020/21-21/22,



Reference – NGB NGPC Presentation to CEO Forum June 2022

NATIONAL GAMBLING STATISTICS

- **Job Opportunities withing the Gambling Industry**
- The NGB monitors direct employment numbers in the gambling sector (industry and regulators). 31997 people (direct employment) were employed in the gambling industry (including regulators) as of 31 March 2022, down by 3.3% from the FY2020/21 level of 33095. In general, the casino sector, and **KwaZulu-Natal province**, accounted for the highest numbers in terms of direct employment in the gambling industry, as reflected in the table below.

DIRECT EMPLOYMENT PER PROVINCE AND MODE, FY2021/22 by PROVINCE

Gambling mode	GP	WC	KZN	MP	LP	NW	NC	EC	FS	TOTAL
Casinos	3144	2491	4312	460	326	534	204	613	393	12477
Totalisators	205	139	1049	29	49	14	4	15	47	1551
Bookmakers	3163	1566	3273	540	808	813	134	301	279	10877
LPMs	1903	66	94	384	754	124	23	692	144	4184
Bingo	353	0	754	271	188	160	0	368	0	2094
Regulators										0
NGB	33									33
PLAs	112	69	77	75	63	78	18	163	126	781
TOTAL	8913	4331	9559	1759	2188	1723	383	2152	989	31997

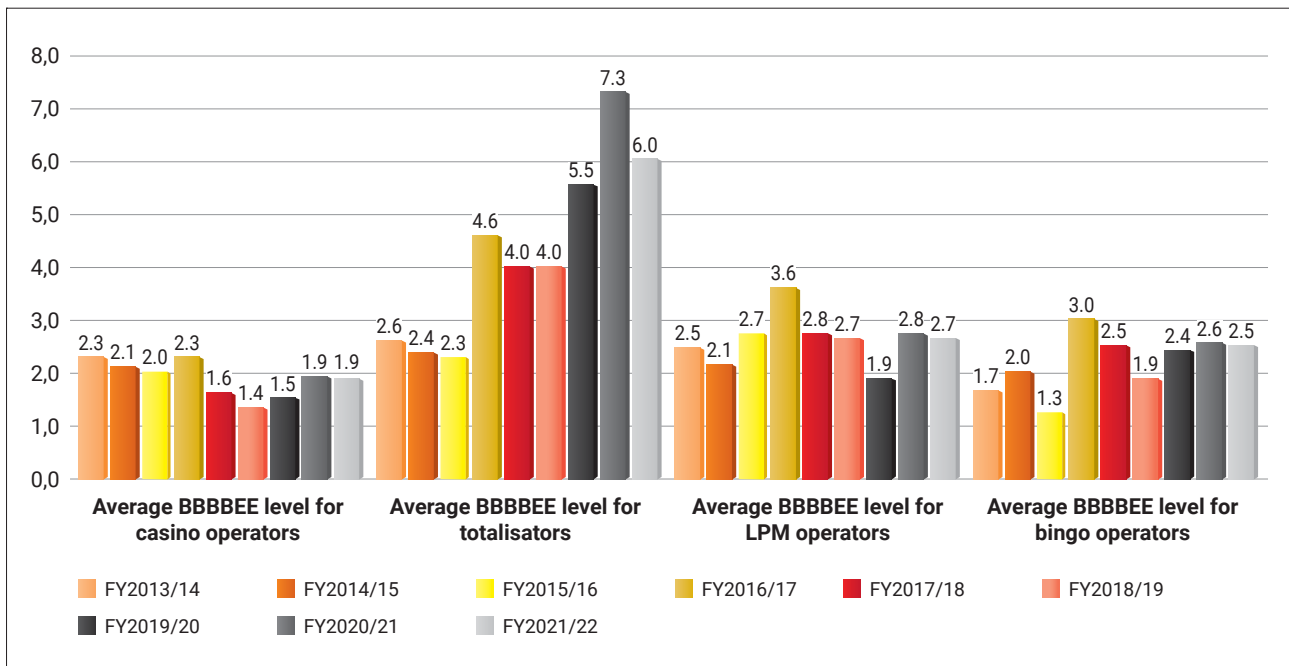
TRANSFORMATION [B-BBEE LEVELS]

- Broad-based black economic empowerment (B-BBEE) is an economic and political imperative in South Africa. Empowerment in the South African gambling industry is measured in terms of the Codes of Good Practice published by the Department of Trade & Industry. The gambling industry, to date, does not have its own transformation charter. Thus, gambling enterprises are measured in terms of the generic score card and, more specifically, the following: ownership, management control, employment equity, skills development, preferential procurement, enterprise development and socio-economic development.

However, on 11 October 2013, the Department of Trade & Industry released the revised B-BBEE Codes of Good Practice. The old and new codes have been merged to monitor contributor levels applicable to FY2017/18, as follows: ownership, management control, employment equity, skills development, preferential procurement, enterprise (supplier) development and socio-economic development.

- The average B-BBEE levels per gambling mode between FY2013/14 and FY2021/22 are shown in figure 38 below. In general, the trend shows a decline in casino operator levels, and a rise in totalisator B-BBEE levels. In FY2021/22, the average B-BBEE levels were 1.9, 6.0, 2.7 and 2.5 for the casino, totalisator, LPM and bingo operators respectively.

Average B-BBEE levels per gambling mode, FY2013/14 to FY2021/22



GAMBLING INDUSTRY IN KZN

GAMING AND BETTING REVENUE:

The gaming and betting industries in KZN have experienced steady growth in recent years. The total of **R23.2 million** revenue was generated from gambling activities including casinos, betting, and limited payout machines, has shown positive trends, contributing significantly to the regional economy. The industry collected R771.651 million through taxes.

MARKET COMPETITION:

KZN's gaming market is competitive, with several established casino operators and betting companies vying for market share. Competition is expected to increase with the potential entry of new operators and the expansion of online gambling platforms. Overall, the gaming and betting industry in South Africa, including KZN, is characterized by intense competition among established players across various segments such as casinos, sports betting, limited payout machines, and online gambling.

Operators differentiate themselves through unique offerings, exceptional customer experiences, competitive odds, and attractive promotions. The competitive landscape is likely to evolve with advancements in technology, changes in regulations, and the entry of new players, requiring operators to continuously innovate and adapt to remain competitive.

KZN is home to 5 land-based casinos operated by established companies, including Sun International, Tsogo Sun, and Peermont Global. These companies have a significant presence in the South African casino market and compete for customers by offering a range of gaming options, entertainment, and amenities.

CONSUMER DEMOGRAPHICS:

The target market for gaming and betting activities in KZN is diverse. However, specific demographic segments, such as young adults and middle-aged individuals, tend to exhibit higher engagement with these activities. Understanding the preferences and behaviours of different consumer segments is crucial for operators to tailor their offerings effectively. Consumer demographics within the gaming and betting industries in KwaZulu-Natal (KZN) play a significant role in shaping market dynamics and consumer preferences.

The gaming and betting industries in KZN attract a substantial number of young adults, typically aged between 18 and 35 years. This demographic segment tends to be more tech-savvy and open to exploring various gaming and betting platforms, including online and mobile options.

Middle-aged adults, typically aged between 35 and 55 years, also form a significant consumer demographic within the gaming and betting industries. This group may engage in

various forms of gambling, including casino gaming and sports betting.

Historically, the gaming and betting industries have had a higher participation rate among male consumers. However, there has been an increasing trend of female participation in recent years, driven by factors such as increased accessibility, changing societal norms, and the availability of diverse gaming options.

REGULATORY ENVIRONMENT:

LICENSING AND REGULATION:

The gambling industry in KZN is regulated by the KwaZulu-Natal Gaming and Betting Board (KZNGBB). The board oversees the licensing and regulation of casinos, betting operations, and other gambling activities within the province. Operators are required to comply with strict regulations related to responsible gambling, advertising, and taxation.

For the year under review, 115 applications were processed within the targeted timeframe of 120 working days. Through licensing conditions, 498 jobs were facilitated. While 822 renewal applications were processed. This led to 866 employees registered.

MONITORING AND COMPLIANCE:

For the year under review, 150 compliance legislative compliance inspection was conducted, while 59 premises were raided for illegal gambling. R28 085.00 was confiscated and declared to SAPS. Non-compliance letters were issued.

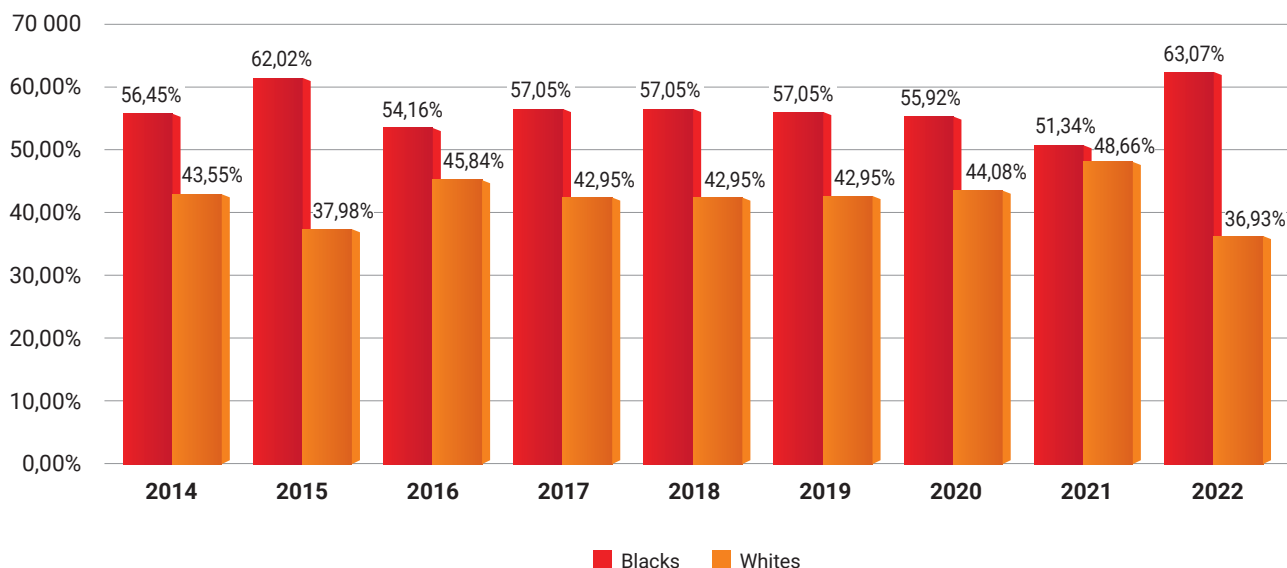
ECONOMIC TRANSFORMATION AND DEVELOPMENT

Diversity of Black Ownership in Bookmaking Industry through Increase in Ownership Stakes: This has been a focus area as Bookmakers are SMME businesses and there has been an increase in "ownership participation" by black persons in the industry since 2012. Baseline: 2011/2012: The total "ownership participation" was as follows: White persons (male and female) - 73%, African - 1%, Coloureds - 2%, Indians - 24%, Black persons held only 27% "ownership participation" of the industry. **In 2022-2023**, White ownership in the bookmaking industry has reduced from **73% to 20% (9/45)** since 2011/12. Of the **9 White** owned businesses, **7 (77%)** are exempt in terms of the B-BBEE Codes of Good Practice.

One white owned QSE has black shareholding but does not meet the threshold of a black empowered company. The other white-owned QSE has only just grown from an EME to a QSE, and the Board will be putting licence conditions in place to ensure the business transforms. Black person owned / empowered business have grown **from 27% to 80% [36/45]**. These businesses include 9 major bookmakers, and the Board is monitoring the actual benefit to Black owners.

CASINO INDUSTRY OWNERSHIP - BLACK PERSONS OWNED VS WHITE PERSONS OWNED

BOOKMAKER - HORSE RACING TAXES



Baseline 2013/2014: The total ownership as follows: - White person owned - 56% - Black person owned - 44% In 2022/23 (as at 31 March 2023): The total ownership as follows: - White person owned – 36,93% (There has been no change in Ownership compared 30 September 2022) - Black person owned – 63,07% (There has been no change in ownership compared to 30 September 2022) Ownership is mainly through shares held at group levels, through either employee share schemes, individuals, corporates, union shareholding and shareholder participation on the JSE.

PROCUREMENT SPEND TOWARDS SMMME (ECONOMIC PARTICIPATION)

A total procurement of R1 214 964 731,13 was spent towards companies owned by vulnerable groups. 35% of this was procurement spent towards businesses/entrepreneurs from townships and rural areas. The procurement spent of the industry was at 52% township/rural suppliers while 48% is from Urban areas in 2023. So far, the beneficiaries are 45% women, 40% Youth, 2% person with disability, 10% being military veterans and 3% being senior citizen.

REPORTED SMME CONTRIBUTIONS BY GAMBLING INDUSTRY

DESCRIPTION	2022-23	2021/22	2020/21
SPEND ON LOCAL ECONOMY – GAMING*	R 464 449 738.20	R 36249 738.20	R 1 024 281 005,88
SPEND ON LOCAL ECONOMY – BETTING**	R 989 417 687,90	R 785 417 687,90	R 547 398 627.25
SPEND ON SMMES – GAMING*	R 140 964 941.43	R 110 964 941.43	R 299 418 977,31
SPEND ON SMMES – BETTING**	R 178 867 347,60	R 112 867 347,60	R 132 276 144.05
SPEND ON PDI BUSINESS – GAMING*	R 475 360 990.46	R 275 360 990.46	R 1 005 877 615,88
SPEND ON PDI BUSINESS – BETTING**	R 46 679 695,63	R388 228 337	R 36 680 765.30
TOTAL	R1 214 964 731,13	R1 286 513 372,50	R1 305 296 593,19



BLACK INDUSTRIALIST

The Black Industrialist (BI) Programme is a dedicated support programme established in terms of the KZNGBB Black Industrialist Policy to promote the growth and competitiveness of black-owned and managed enterprises in the manufacturing sectors of the economy.

The Policy focuses on:-

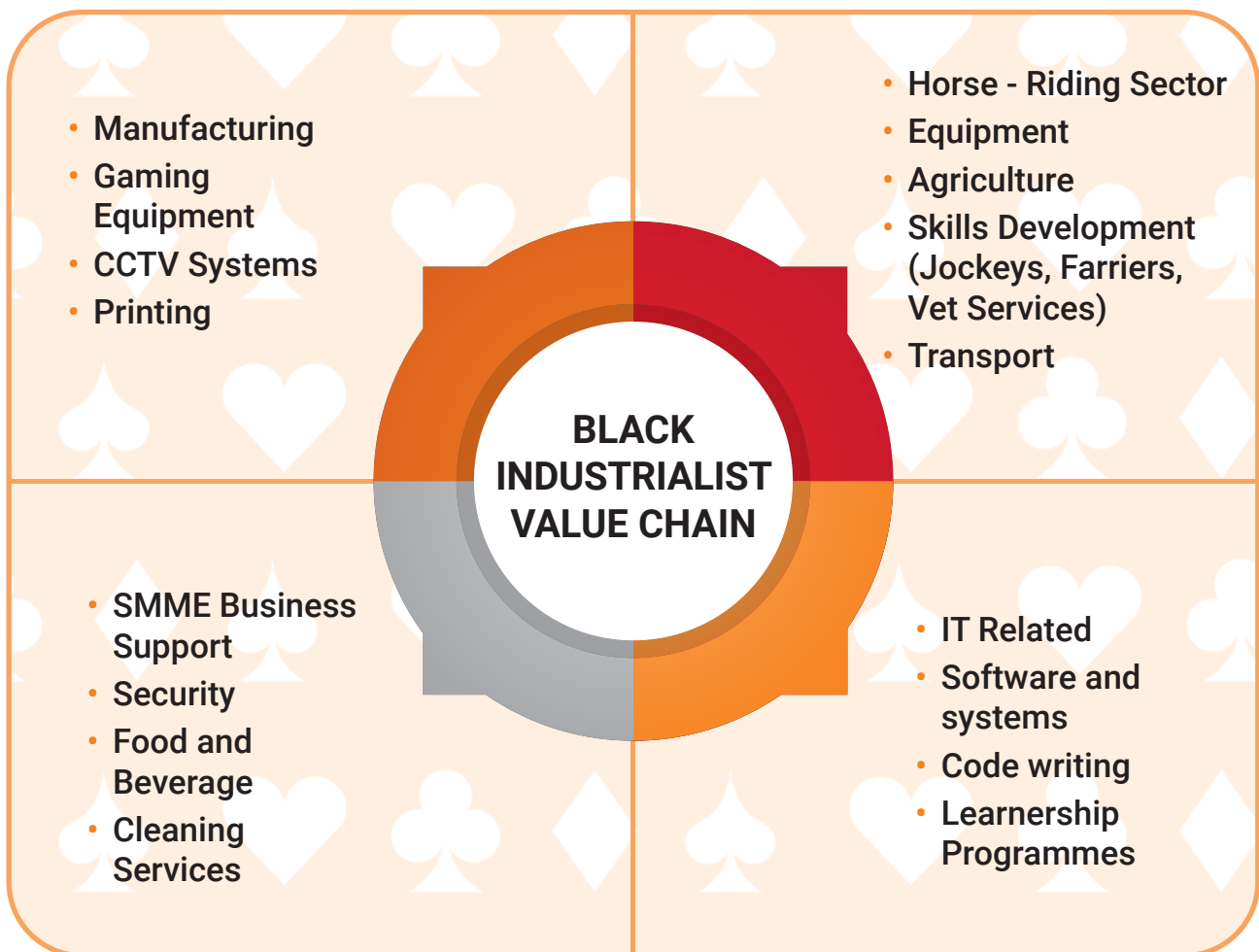
- The creation of business opportunities for previously excluded black persons (in particular youth, women and unemployed persons).
- Job creation with the gambling industry.
- Skills development within the gambling industry.
- The growth and competitiveness of black-owned enterprises.

A BI is a Black person who has significant ownership (50% >) and is directly involved in the origination, creation, management and operation of goods and services suitable for the gambling industry.

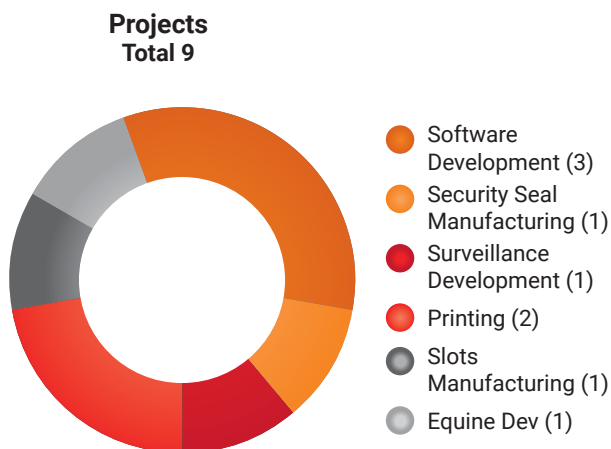
The Program:-

- Assists BIs to access finance, contracts and market opportunities.
- Creates instruments for BI/s to enter the gambling manufacturing industry and support the value chains

SECTOR VALUE CHAIN OPPORTUNITIES



The Project Management of the Program is undertaken by the Business Development Unit which had 9 projects in various stages of progress.



society through ensuring the creation of a diverse and inclusive gambling industry.

Absence of adequate sourcing of funding to allow for opportunities for Black entrants into the industry has been one of the barriers to entry. Notwithstanding that black economic empowerment has taken place in certain respects, further interventions are required to ensure meaning economic participation of Black People and Black designated groups, with specific focus to local participation.

The utilisation of funds addresses inequalities, skewed ownership and industry participant structures and the current lack of economic empowerment in the industry which is reflected through the limited participation by historically disadvantaged individuals, where ownership and industry skills and knowledge are located in the hands of a few Black South Africans.

TRANSFORMATION FUND

The fund aims to accelerate and provide empowerment opportunities for people from poor and marginalised backgrounds to participate in the gaming and betting industry, transform and make a positive difference in

The fund supports Provincial Government's key transformation priorities, the Provincial Growth and Development Strategy and Medium Terms Strategic Framework, SMME and entrepreneurial development, job creation and skills development, thereby making change possible.

FUNDING OUTCOMES [PHASE 2 – 2022/2023] TIER 1 FUNDING [R 1 - R 200K]	
Nature of Fund Request	Funding Request Approved
Stakes and Prizes – Dundee July	R 100,000.00
Equine Welfare – Training and Development	R 153 489.54
SMME Development – Saddles & Accessories	R 170,000.00

A total **38** jobs were created through Phase 2 of the Transformation Fund impacting people from the following districts: -

- Umgungundlovu
- Amajuba
- Umzinyathi
- Uthukela
- Umkhanyakude
- eThekwini



TECHNOLOGICAL ADVANCEMENTS:

Online Betting and Gaming: Online betting and gaming platforms have gained popularity among consumers, providing convenience and access to a wider range of gambling options. The growth of internet penetration and mobile technology adoption in KZN has contributed to the increased demand for online gambling services.

ONLINE GAMBLING:

The rise of online gambling has gained momentum globally, and KZN is no exception. The regulatory framework around online gambling is continuously evolving, with discussions underway to establish guidelines for licensing and oversight of online platforms. Mobile applications have become an integral part of the gaming and betting experience, enabling users to access betting platforms, participate in virtual casino games, and place bets on sporting events. Operators are investing in mobile-friendly platforms and user-friendly applications to enhance customer engagement.

RESPONSIBLE GAMBLING AND SOCIAL IMPACT:

Responsible Gambling Programs: Recognizing the potential risks associated with gambling, KZNGBB

and industry stakeholders have implemented various responsible gambling programs. These initiatives focus on promoting awareness, providing support services for problem gamblers, and ensuring that operators adhere to responsible gambling practices.

SOCIAL AND ECONOMIC IMPACT:

The gaming and betting industries contribute to KZN's economy through job creation, tourism, and tax revenue. However, it is essential to consider the potential negative social consequences, such as gambling addiction and financial hardships. Stakeholders are working collaboratively to mitigate these risks and maximize the positive socio-economic impact.

For the period under review, R22 637 566 million was spend by betting industry towards CIS with a beneficiation of 25 502 people within the following category:

- Health and Welfare
- Community Upliftment
- Education
- Sports and Recreation
- Arts and Culture

KZNGBB CONTRIBUTION TO PGDS AND MTSF TARGET

MEASURES		BASELINE	TARGET 2024	KZNP GDP/ EDTEA	KZNGBB CONTRIBUTION TO MTSF AND PGDP
Growth	GDP growth	0.8%	2% - 3%	0.9%	<p>MTSF Target: 3.9 billion: Revised to R2 billion post covid.</p> <p>Actual Results Achieved:</p> <ul style="list-style-type: none"> • A total of R180 035 million was collected between 1 April 2023 -30 June 2023. • R771.651 million collected for the provincial Government between 1 April 2022-30 March 2023. • Year to date collection towards MTSF Target is R2.7 billion against the original target of R3.9 billion (69%) before covid.
		-16% as of 31 December 2022	Grow revenue for the Entity by 30% over 5 years	30% dependence on government grants.	<p>MTSF Target: Grow revenue for the Entity by 30% over 5 years</p> <p>Actual Results Achieved: -6% A total of R23 219 729 million was generated between 1 April 2022 30 March 2023.</p> <p>Improvements Plans</p> <ul style="list-style-type: none"> • Amended schedule of fees has been submitted to KZN EDTEA for support, publication, and consultation. • To propose new application types to attract fees to schedule of fees. • Proposal to amend section 59(c) and Reg 82(1) (b) to attract registration fee prior to registration of gaming equipment.

EXPECTED KZNGBB CONTRIBUTION TO PGDS AND MTSF TARGET

MEASURES		BASELINE	TARGET 2024	KZNP GDP/ EDTEA	KZNGBB CONTRIBUTION TO MTSF AND PGDP
Unemployment	Formal rate	27.6%	20%-24%	10%	MTSF Target: 2250:
Employment	Number employed	16.3 million	18.3 – 19.3 million	217 830	<p>Actual Results Achieved 665 new Jobs were facilitated, within gaming and betting industries between 1 April -30 June 2023.</p> <ol style="list-style-type: none"> 1. Implementation of License conditions -314 2. Black Industrialist Programme-15 3. Implementation of Transformation Fund-13 4. Registration of Employees- 287. 5. Implementation of Change Application-11 6. Implementation of CSI-25 <p>Year to date towards MTSF Target of 2250: 3340 new jobs facilitated between 2020-June 2023 within gaming and betting industries. Target over-achieved.</p>
Investment	% of GDP	18%	23%	R53bn	<p>MTSF Target: Facilitate R200 million investments</p> <ul style="list-style-type: none"> • Not yet established
Inequality	Gini Coefficient	0.68	0.66	0.61	<p>MTSF Target:</p> <ul style="list-style-type: none"> • 35% Targeted procurement spent towards businesses/entrepreneurs from townships and rural areas. • 40% Targeted procurement spent towards women. <p>Actual Results Achieved</p> <ul style="list-style-type: none"> • 1,9 billion procurements spent by the industry towards companies/SMME's owned by vulnerable groups between 2019-30 June 2023. • The procurement spent of the industry was at 21% township/rural suppliers while 79% is from Urban areas in 2023. So far, the beneficiaries are 28% women, 45% Youth, 4% person with disability, 15% being military veterans and 7% being senior citizen. • 181 Black SMME's benefited through procurement spent within gaming and betting industry. • More than R1 047 813.00 million disbursed through transformation fund which benefited 8 SMME's.
Inequality	Gini Coefficient	0.68	0.66	0.61	<p>Actual Results Achieved</p> <ul style="list-style-type: none"> • Between 1 April- 30 June 2023, 43 Applications were processed and 31 were from black persons. This 31 has been linked to economic opportunities within the gaming and betting industry. • In the process of issuing an RFA that will increase the number of licenced race-course operators from 2 to 13 (invitation of comment stage). • Processing RFA for new bookmaking rights that will increase by 15 Bookmaking Licensees.



EXPECTED KZNGBB CONTRIBUTION TO PGDS AND MTSF TARGET ...continued

MEASURES		BASELINE	TARGET 2024	KZNP GDP/EDTEA	KZNGBB CONTRIBUTION TO MTSF AND PGDP
Inequality	Gini Coefficient	0.68	0.66	0.61	Improvements Plans <ul style="list-style-type: none"> Roll out awareness campaigns on economic opportunities for Black persons within the gaming and betting industries to promote diversity, inclusion, and economic empowerment. Engage industry stakeholders on the implementation of economic priorities of a Provincial Government to ensure achievement of desired economic development and growth.
Poverty	Food poverty	24.7%	20%	5.40%	<ul style="list-style-type: none"> Over MTSF Period (3 years), more than R 19 million has been contributed by the Industry towards Vulnerable groups (food security programme) and GBVF Initiatives. More than 3560 community members have benefited.
	Lower bound	39.8%	28%	15.2%	

GENDER AND RACE INEQUALITY WITHIN THE INDUSTRY (TRANSFORMATION OF OWNERSHIP)

MEASURES	2020 BASELINE	2020-2023 PROGRESS
Casino Ownership	2013-2019, the total ownership was as follows: White person owned - 56% Black person owned - 44%	In 2022/23 (as of 30 June 2023): <ul style="list-style-type: none"> White person owned – 42,33. Black person owned – 57,67%. There has been a decrease of 5,4% in Black Ownership since December 2022
Route Operators Ownership Status	Baseline 2013/2019: The total ownership was as follows. <ul style="list-style-type: none"> White person owned – 10% Black person owned – 90% 	In 2022/23 (as of 30 June 2023) The total ownership as follows: <ul style="list-style-type: none"> White person owned – 41,98% Black person owned – 58,02%
LPM Ownership Statistics	Baseline 2013/2019: The total ownership was as follows. <ul style="list-style-type: none"> White person owned – 28.5% Black person owned – 71.5% 	In 2022/23 (as of 30 June 2023) The total ownership of sites is as follows: <ul style="list-style-type: none"> White person owned 32,33% Black person owned 67,67%. There has been a decrease of 3,83% in Black Ownership since December 2022
Bingo Industry Ownership Stats	In 2017/2018: The total ownership as follows: <ul style="list-style-type: none"> White person owned (acquisition) – 45.74% Black person owned – 54.26% 	In 2023/24 (as of 30 June 2023) The total ownership as follows: <ul style="list-style-type: none"> White person owned – 50,58% Black person owned – 49,42% There has been an increase of 5,09% in white ownership since December 2022.
Bookmakers	In 2020 , 73% White Owned & 27% Black owned.	In 2023/24 (as of 30 June 2023) <ul style="list-style-type: none"> Black person owned / empowered business have grown from 27% to 80,44% [(37/46)]. These businesses include 9 major bookmakers, and the Board is monitoring the actual benefit to Black owners- White ownership has reduced from 73% to 19,57% since 2011/12.
Bookmakers Industry Market Share	The total betting turnover amounted to R2 285 176 570, and the Market share values were as follows: White persons R2 085 560 283 - (91.2%) African persons @ 26% R 0 - (0%) African persons @ 50%+ R41 516 602 (1.8%) Coloured persons R9 938 596 (0.04%) Indian persons R148 161 087 (6.48%)	The total betting turnover amounted to R 2 500 438 Market share values are as follows: White persons R 57,364,389 (2,29%) African persons @ 26% R 2 157,973,997 (86,31%) African persons @ 50%+ R 146,580,551 (5,86%) Coloured persons R 7,602,083 (0,30%) Indian persons R 130,834,416 (5,23%)

CHALLENGES AND FUTURE OPPORTUNITIES

This section provides a review of 2022/23, outlining the main achievements and progress made by the organisation, as well as providing a brief discussion on challenges and new developments.

KWAZULU-NATAL GAMING AND BETTING BOARD (KZNGBB)

The KZNGBB is responsible for regulating the gambling industry in the province, the verification, collection and distribution of gambling taxes, ensuring the roll-out of new gaming initiatives and protecting the interest of patrons and the public at large.

The restrictions placed on licensees negatively impacted on the revenue of the entity, as fewer applications were received due to their reduced operations, resulting from the national lockdown, the social unrest and floods. In addition, the anticipated fee adjustment for licensing and registration fees, which was factored into the budget at the start of the year, did not materialise due to the Covid-19 pandemic the social unrest and floods, as the entity was allowing licensees time to recover from the aforementioned events, before implementing the fee adjustment.

The KZNGBB identified a number of key projects to support the transformation of the industry and continued to establish key partnerships to support the Black Industrialist project. The KZNGBB provide financial support to a number of Black Industrialist through the Transformation Fund, and in so doing contributed to job creation and transformation. The KZNGBB continued to grow participation of previously disadvantaged individuals in the betting industry by awarding additional bookmaking rights. The entity focused on improving its internal, licensing and monitoring processes by further developing and updating the Gambling Regulators Online Portal (GROP) system. The KZNGBB also investigated new technologies to improve its IT infrastructure to support operations.

OUTLOOK FOR THE 2023/24 FINANCIAL YEAR

Section 3 looks at the key areas of 2023/24, outlining what the department is hoping to achieve, as well as briefly looking at the challenges facing the department, and proposed new developments. The bulk of the department's budget allocation caters for transfers to its public entities. The budget also provides for the Operation Sakhinzuzo project, implementation of the Operation Vula Fund programme which provides grant funding in areas such as manufacturing, SMME development, tourism, economic infrastructure development and job creation,

with a focus on providing these types of skills and business opportunities at a local level, RASET programmes, hosting of tourism events, consumer and environmental awareness campaigns, as well as the IASP, among others.

KWAZULU-NATAL GAMING AND BETTING BOARD (KZNGBB)

The KZNGBB will continue to regulate the gambling industry in the province and ensure the roll-out of new gaming initiatives, while protecting the interests of patrons and the public at large. The entity will continue to provide support to the industry with its recovery post the Covid-19 pandemic, social unrest, and floods. The entity will continue in its efforts to become self-funded and to grow the provincial revenue collections. In addition, the KZNGBB will focus on promoting business development activities, with the objective of bringing in foreign investment, creating opportunities, creating jobs and driving economic transformation and growth.

The entity will continue its efforts to capacitate the Transformation Fund, and will focus on improvements to its internal, licensing and monitoring processes by further developing and updating the GROP system. The KZNGBB will also seek to update its IT infrastructure to the latest technologies in an effort to support operations.

RATIONALISATION STATUS UPDATE

What was achieved by the end of 2022/23?

The Rationalisation process commenced with vigour during the year under the stewardship of the Joint Board Committee and the Change Management Committee. Various workstreams were constituted with defined tasks to perform to ensure the rationalisation of the entities progressed according to the overall plan. A number of meetings were held to complete the tasks per the various work plans.

The draft bill for the rationalisation of the entities was drafted and consulted with various stakeholders. The business case for the rationalisation of the entities was developed and submitted to the National Treasury, via the Department, for consideration and approval.

What are the plans for the merger in 2023/24?

The amalgamation of the operations will continue to be aligned to the business case. The strategy of the new entity will be fine tuned once the Board is appointed and all plans will be aligned thereto. The focus will move to the integration of the operations and to achieving efficiencies and effectiveness in all processes. The implementation of the service delivery model will continue into the year. The budgets and funding model will be revisited.



2.1. ORGANISATIONAL ENVIRONMENT

In (2019), the MEC for Economic Development, Tourism and Environmental Affairs identified a need for the KZNGBB to undergo a review of its existing structure to ensure that it is properly aligned to deliver of its Constitutional Mandate. The organisational structure was approved by the MEC for Economic Development, Tourism and Environmental Affairs in (2019).

KZNGBB has a staff complement of 100, with (70) full time employees. Various positions have been earmarked to be filled in the next few months after approval by the Premier for filling of critical vacant positions. During the period under review, KZNGBB had a ratio of 40% of woman in Senior Management position as compared to 60% of Men in Senior Management Position as at the end of 31 March 2023. The organisation recorded a vacancy rate of 6.7% and staff turnover of 2.81% as at the end of 31 March 2023.

ANALYSIS OF ORGANISATIONAL CAPACITY AND CAPABILITY

In support of the priorities of the 6th Administration and, against the backdrop of the performance review of the previous 5 years, there is a need to ensure that the KwaZulu-Natal Gaming and Betting Board has the requisite capacity to drive delivery, policy coherence and good corporate governance.

During the year, KZNGBB filled the following positions:

- Introduction of the Chief Operating Officer
- Senior Manager: Business Development

RATIONALISATION OF PROVINCIAL PUBLIC ENTITIES

As part of austerity measures and to achieve alignment and efficiencies, the erstwhile President of the Republic issued an instruction to provinces to rationalise state-owned entities with a view to, in the main, reduce government expenditure. The Provincial Government of Kwa-Zulu Natal heeded the call by commissioning a comprehensive exercise of amalgamation of entities. The process to rationalise all public entities in KwaZulu-Natal commenced during 2015, with the appointment of a Rationalisation of Public Entities Task Team (ROPETT) as a Sub-committee of the Provincial Executive Council, to drive the project.

The provincial government has reviewed the rationalization process against its objectives being the–

a) streamlining of the EDTEA public entities.

- b) delivery of services in the most cost-effective manner.
- c) elimination of duplications between public entities and the Department; and
- d) creating and maintaining efficiencies within the EDTEA portfolio.

FUTURE FOR ORGANISATION OUTLOOK

Other functions that must be strengthened: a) Reduction in the cost of doing business in KwaZulu-Natal (a key focus on investment on Black Industrialist, manufacturing, and software development); b) Research and analysis; c) Strategic risk and compliance management – governance) Strengthening of stakeholder Relations.

2.2. KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

There have been no policy and legislative changes in the organization.

- KwaZulu-Natal Gaming and Betting Board Black industrialist policy
- KwaZulu-Natal Cooperative Developments Strategy.
- KwaZulu-Natal Informal Economic Policy.
- Integrated programme of action for Vulnerable groups
- KwaZulu-Natal Investment Promotion Strategy.
- KwaZulu-Natal Economic Reconstruction Plan
- KwaZulu-Natal Rural and Township Economies Revitalisation Strategy
- KwaZulu -Natal Tourism Master Plan.
- KwaZulu-Natal Small Enterprise Development Strategy.
- KwaZulu-Natal Gaming and Betting Board CSI Strategy
- National Strategic Plan on Gender Based Violence and Femicide
- Provincial Growth and Development Strategy
- KwaZulu-Natal Provincial Spatial Economic Development Strategy
- KwaZulu-Natal Radical Agrarian Socio-Economic Transformation (RASET)
- South Africa's Economic Transformation: A Strategy for Broad-Based Black Economic Empowerment
- KwaZulu-Natal Gaming and Betting Board Transformation Strategy
- KwaZulu-Natal Youth Economic Empowerment Strategy.

3. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

The organisational performance, operations and interventions continue to contribute, if not directly, then indirectly to the National and Provincial priorities:

NDP PILLARS

- Achieving a more capable State
- Driving a strong and inclusive economy.
- Building and strengthening the capabilities of South Africans

MTSF PRIORITIES,

KZNGBB is expected to contribute towards the achievement of 3 strategic priorities:

- MTSF Priority 1: Capable, Ethical and Developmental State
- MTSF Priority 2: Economic transformation and job creation
- MTSF Priority 7: A better Africa and world

KZN PROVINCIAL GROWTH DEVELOPMENT PLAN (PGDP)

- Priority 2, 3 & 4: Job Creation, Growing the Economy, Growing SMMEs and Cooperative
- Priority 8: - Build a caring and incorruptible government.
- Priority 7: Better Africa and the World

KZNGBB STRATEGIC PRIORTIES FOR 2020-2024 MTSF PERIOD

1. Job Creation
2. Industrialisation
3. Economic Transformation
4. Growing Small Business and localisation
5. Implementation of Township and Rural Economic Development
6. Revenue Generation for Province
7. Minimize negative social ills of gaming and betting.
8. Governance and service delivery
9. Regularise the Industry

EXPECTED KZNGBB CONTRIBUTION TO PGDS AND MTSF TARGET

Measures		Baseline	Target 2024	KZNP GDP/ EDTEA	KZNGBB Contribution to MTSF and PGDP
Growth	GDP growth	0.8%	2% - 3%	0.9%	• Generate R2 billion revenue for Provincial Government
Unemployment	Formal rate	27.6%	20%-24%	10%	• Facilitate the creation of 2250 jobs within Gaming and betting Industries over 5 years period
Employment	Number employed	16.3 million	18.3 – 19.3 million	217 830	
Investment	% of GDP	18%	23%	R53bn	• Facilitate R100 million investments within gaming and betting Industry over 5 years
Inequality	Gini Coefficient	0.68	0.66	0.61	<ul style="list-style-type: none"> • 35% Targeted procurement spent towards businesses/entrepreneurs from townships and rural areas. • 40% Targeted procurement spent towards women • Empower 20 emerging black Industrialist as contractors and value chain suppliers. • 65% participation of Black Person as directors, shareholders, managers in the gambling Industries • 150 women, youth and people with disability empowered through economic opportunities within gambling industry.
Poverty	Food poverty	24.7%	20%	5.40%	• Rollout CSI Interventions (food security programme) to benefits 3500 families across the province of KZN
	Lower bound	39.8%	28%	15.2%	



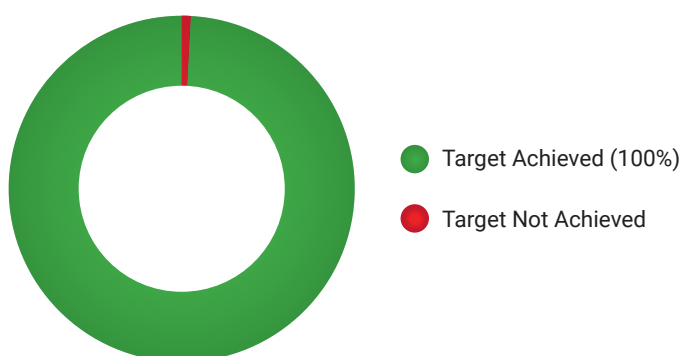
IMPACT AND OUTCOME STATEMENTS

IMPACT		OUTCOME	CONTRIBUTING PROGRAMMES
A regulated, transformed, and socially responsible Industry that contributes to job opportunities and protection of public interest	1	Inclusive, equitable and transformative industry that catalysed investment, job creation and tourism development.	Programme 2: Business Development 3 and 4
	2	A compliant and socially responsible industry that protect the interests of the public	Programme 2, 3 and 4
	3	Grow revenue for Provincial Government and the Entity	Programme 2, 3 and 4
	4	Optimized Institution with efficient and effective processes and systems	Programme 1

ORGANISATIONAL PERFORMANCE OUTLOOK

For the financial year 2022-2023, the Organization had a population of **25** targets, which were broken down into 4 quarters. For the year under review, the entity achieved **100%** against 25 planned targets.

Organisational Performance as at the end of 31 March 2023



PROGRAMME 1: ADMINISTRATION

The purpose of this programme is to provide strategic management and administrative support to the entity. The Administration Programme is comprised of the following seven sub-programmes:

Sub-Programme	Purpose
1.1 Office of the CEO	To provide leadership, strategic and executive support to Board and management of operations and programme performance to ensure the fulfilment of the entity's mandate and radical economic transformation within the gambling industry.
1.2 Governance, Risk and Compliance	To implement policy, processes, and systems to ensure that the entity has and maintains effective, efficient and transparent internal controls in order to optimise institutional service excellence through governance and best practice.
1.3 Legal Services	Provision of legal advisory services to protect the legal interests of the entity and enhance transformation initiatives
1.4 Human Resources	To ensure implementation of the human resources strategy by attracting, developing, and retaining suitably qualified and competent human resources for the Board.
1.5 Communications	To address the communication requirements of all stakeholders, both internally and externally, and to create awareness of the Board's strategic imperatives through stakeholder engagement using different communication mechanisms (housed under Office of the CEO).
1.6 Information Communication & Technology	The purpose of this programme is to provide information communication technology (ICT) and knowledge management services to the entity
1.7. Finance	The purpose of this programme is to support the entity by the provision of financial administration, asset management and procurement services. This programme is also responsible for managing the relationship with the internal auditing services of the KZNGBB. The functions within this programme include the following: Supply Chain Management, Cost and Management Accounting and Financial Accounting.

Sub-programme:		Office of the CEO				
Outcome	Output	Output Indicator	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation
Optimized Institution with efficient and effective processes and systems	Approved Strategic Management Plans document submitted to EDTEA as per Statutory requirements	Number of Strategic Management Plans submitted to EDTEA & OTP in compliance with Strategic Planning Framework	1	1	1	N/A
	Approved Quarterly Performance Report submitted to Edtea as per statutory requirement	Number of Quarterly Performance Reports submitted to EDTEA	4	4	4	N/A
	Approved Strategic Management Plans and Reports as per statutory requirements	Approved Annual Reports submitted to EDTEA as per statutory requirements	1	1	1	N/A
	Strategic monitoring conducted on priority projects	Number of strategic monitoring conducted on priority projects	New Indicator	4	4	N/A

Programme / Sub-programme:			Governance, Risk and Compliance			
Outcome	Output	Output Indicator	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation
Optimized Institution with efficient and effective processes and systems	Strategic Risk Management Plan Implemented	% of Strategic Risk Mitigation plans implemented	80%	80%	(94) 80% completed, 20% in progress	N/A
	Governance and compliance monitoring Framework	Number of Compliance monitoring review conducted	New Indicator	4	4	N/A

Programme / Sub-programme:			Legal Services			
Outcome	Output	Output Indicator	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation
Optimized Institution with efficient and effective processes and systems	Improved statutory & regulatory compliance	Number of Legal Reports appraising the Board on the status of legal matters	4	4	4	N/A



Programme / Sub-programme:			Human Resource			
Outcome	Output	Output Indicator	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation
Optimized Institution with efficient and effective processes and systems	Staff Turnover	% of Staff turnover	2%	Below 5%	4% 70*100/73	+1%
	Vacancy Rate	% of Vacancy Rate on funded post	5.26%	10% or less	7,89% 70*100/76	+2.11%

Programme / Sub-programme:			Communication			
Outcome	Output	Output Indicator	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation
Optimized Institution with efficient and effective processes and systems	Annual Communications Plan Implemented	Number of Interventions implemented to advance Annual Communication Plan	4	4	4	N/A
	Socio Economic Development initiative conducted	Number of Socio-Economic Development Initiatives Implemented	8	10	10	N/A

Programme / Sub-programme:			Finance			
Outcome	Output	Output Indicator	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation
Optimized Institution with efficient and effective processes and systems	Reduction in fruitless and wasteful expenditure	% Reduction in fruitless and wasteful expenditure	50%	75%	75%	N/A
	Reduction in irregular expenditure	% Reduction in irregular expenditure	36	60%	60%	N/A
	Payment of Invoices within 30 working days	% of valid invoice paid within 30 working days	94%	95%	97%	N/A

Programme / Sub-programme:			Information & Communication Technology Services			
Outcome	Output	Output Indicator	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation
Optimized Institution with efficient and effective processes and systems	ICT Strategy Implementation Plan	% of ICT Strategy Plan Implemented	60%	80%	86%	N/A
		Percentage implementation of gambling online Portal Project activities	60%	100%	100%	N/A

PROGRAMME 2: BUSINESS DEVELOPMENT

Sub-Programme	Purpose
Business Development	To facilitate, develop and implement the Black Industrialist programme and other transformation projects which contribute to job creation, development of Small Businesses and the creation of opportunities within the Gambling Industries.

Sub-programme:		Business Development				
Outcome	Output	Output Indicator	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation
Inclusive, equitable and transformative industry that catalysed investment, job creation and tourism development.	Gambling Black Industrialist Plan Implemented	Number of Interventions implemented to support development of Black Industrialist Programme and SMME Development	New	3	3	N/A
	Jobs facilitated within Black Industrialist and SMME Development	Number of jobs facilitated within Black Industrialist Programme and SMME development initiatives	20	40	42	+2 Additional projects were Implementation through Transformation Fund.

PROGRAMME 3: OPERATIONS

The purpose of this programme is to provide strategic direction in the implementation and management of operations department. The Operations Programme is comprised of the following three sub-programmes:

Sub-Programme	Purpose
3.1 Office of the COO	To provide strategic leadership to and management of the operational units, monitor programme performance to drive the Board's mandate
3.2. License and Registration	The purpose of this programme is to optimise service excellence through receipt, investigation, licensing, and registration for applications that incorporate job creation, transformation, socio- economic development and continuous suitability.
3.3. Monitoring and Compliance	The purpose of this programme is to ensure a properly regulated, transformed and compliant industry which enhances inclusive economic growth, generates revenue and drive human and socio-economic development, in order to protect the interest of the public

Programme / Sub-programme:			Office of the COO			
Outcome	Output	Output Indicator	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation
Inclusive, equitable and transformative industry that catalysed investment, job creation and tourism development.	Stakeholder Engagement held to encourage adherence to the Board's	Number of stakeholder engagements held to encourage adherence to the Board's transformation agenda	New Indicator	4	4	N/A



Programme / Sub-programme:			Licensing and Registration			
Outcome	Output	Output Indicator	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation
A compliant and socially responsible industry that protect the interests of the public	Corporate applications processed and approved in terms of the KZNGBB Act	Number of Corporate applications processed in terms of the KZNGBB Act	87	100	100	N/A
Inclusive, equitable and transformative industry that catalysed investment, job creation and tourism development.	Renewal applications processed in terms of the KZNGBB Act	% of renewal applications processed in terms of the KZNGBB Act	100%	100%	100% (760)	N/A
	Jobs Opportunities facilitated	Number of Jobs Opportunities facilitated	89	120	124	4

Programme / Sub-programme:			Monitoring and Compliance			
Outcome	Output	Output Indicator	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation
A compliant and socially responsible industry that protect the interests of the public	Processed application within targeted timeframe	% of applications processed within targeted timeframe	90%	80%	98%: (315x100/321)	18%
Grow revenue for Provincial Government and the Entity	Annual tax target of R 783 million collected (80%) on behalf of Provincial Government	% of annual tax target collected on behalf of Provincial Government	100%	80%	98% R 773 295 241	18%
A compliant and socially responsible industry that protect the interests of the public	Compliance monitoring	Number of compliance monitoring conducted in respect of licence conditions	33	20	20	N/A

TABLE1: LINKING PERFORMANCE WITH BUDGET

Programme	2022/23			2021/22		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Administration	48 463	50 084	-1 621	51 493	47 069	4 424
Business Development	2 610	2 717	-107	2 597	2 642	-45
Operations	35 211	34 200	1 011	35 632	34 216	1 416
Total	86 284	87 001	-717	89 722	83 927	5 795

4. REVENUE COLLECTION

TABLE 2: REVENUE TABLE

Sources of revenue	2022/23			2021/22		
	Estimate	Actual	(Over)/Under	Estimate	Actual	(Over)/Under
Licensing & reg. fees	23 113	23 220	-107	23 051	22 922	129
Transfers received - department	50 552	50 552	0	51 361	51 361	0
Transfers received - other	50	123	-73	40	101	-61
Reserves utilised (rollovers and retention)	6 693	6 909	-216	11 670	8 756	2 914
Interest received	5 746	5 754	-8	3 350	3 109	241
Sundry income	130	338	-208	250	704	-454
Total	86 284	86 896	-612	89 722	86 953	2 769
Reconciliation with statement of financial performance						
Actual collection as above		86 896			86 953	
Less: Reserves utilised		-6 909			-8 756	
Add: interest accruing to the Transformation Fund		53			65	
Total revenue per statement of financial performance		80 040			78 262	

The entity is partly funded by the EDTEA (58%) and by revenue generated from internal sources. During the year under review, revenue collection from fees increased marginally to R23.2 million, this was slightly ahead of the adjusted budget of R23.1 million. The original projection of R29.6 million was revised down due to the impact of the pandemic, floods and social unrest. As part of the economic recovery plan, the proposed fees adjustments were deferred for a period of 2 years.

Interest received amounted to R5.7 million for the year and increased significantly from the previous year (R3.1 million) due to higher interest rates. This higher collection offset the reduction in fee revenue.

The entity received the full allocation of the grant from the EDTEA of R50.6 million in the current year, a reduction when compared to R51.4 million in the prior year due to a once-off allocation of R3 million in the prior year.

The entity utilises reserves to fund its operations, during the year R6.9 million was made available to support operations and R8.8 million in the prior year.

Sundry income included unplanned for amounts from insurers and sponsorships.





PART C:

GOVERNANCE



1. INTRODUCTION

- 1.1 The Board provides strategic direction and ethical leadership to the KwaZulu-Natal Gaming and Betting Board (the Entity).
- 1.2 The Board of Directors is the Accounting Authority of the Entity.
- 1.3 The Board is committed to the highest standards of business integrity, ethical values and governance. It recognises its responsibility to conduct its affairs with prudence, transparency, accountability, honesty, fairness and in a socially responsible manner, in compliance with legislation, regulation and voluntary codes to ensure the sustainability of the business.
- 1.4 Governance structures and processes are regularly reviewed to align them with legislative and regulatory changes and to reflect best practice.
- 1.5 In addition to the KwaZulu-Natal Gaming and Betting Board legislation, the corporate governance principles embodied in the Public Finance Management Act (PFMA) apply to the entity and are complied with. In addition the Board has committed to comply with the principles for good governance embodied in the Protocol for Corporate Governance in the Public Sector (2003) as amended as well as principles of the King IV Code of Good Practice for Corporate Governance.
- 1.6 The 31st of March 2023 marked the end of the fifth year in office for some Members of the Board and the second year for others.

2. PORTFOLIO COMMITTEES

- 2.1 Parliament exercises its role by evaluating the performance of the entity, by interrogating its annual

financial statements and other relevant documents pertaining to the performance of the entity, transformation and projects which are tabled.

- 2.2 The Standing Committee on Public Accounts (SCOPA) reviews the annual financial statements and the audit reports of the external auditors.
- 2.3 The Portfolio Committee exercises oversight over the service delivery performance and reviews the non-financial information that is contained in the annual reports of the entity. The Portfolio Committee is concerned with service delivery and the enhancement of economic growth.

3. EXECUTIVE AUTHORITY (DEPARTMENT OF ECONOMIC DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS)

- 3.1 The PFMA governs and gives oversight authority to the Executive Authority over the Board.
- 3.2 The Executive Authority also has power to appoint and dismiss the Board. When appointing the Board, the Executive Authority ensures that there is an appropriate mix of Members with the necessary skills to guide the entity.
- 3.3 The Board presents a report every quarter to the Executive Authority which details financial performance, revenue generation, expenditure, service delivery information, transformation, and other non-financial information, all required in terms of Regulation 3 to the KZN Gaming and Betting Act, as amended.



4. THE BOARD

4.1 BOARD COMPOSITION:

4.1.1 The Board is a unitary structure which should have nine non-executive members and the CEO as an executive Board Member.

4.1.2 The MEC Responsible appointed Representatives on the Board as he is empowered to do so by Section 8 of the Act. This role has been performed by Mr N.S. Muthewana (Representative) and Mr K. Mthethwa during the financial year.

4.1.3 Details of the Board Members are as follows:

Name	Designation	Date Appointed	Area of Expertise	Committee Membership
Dr S.G. Ngcobo	Former Chairperson	11 April 2018 to 31 November 2022	Governance, Business Development, Education	1. Attends All Board Meetings 2. Finance Committee
Ms M.P. Myeni	Former Deputy Chairperson Chairperson	11 April 2018	Communications, ICT	1. Licencing, Registration, Monitoring, Control and Compliance Committee 2. (Chairperson)
Prof B.S. Stobie	Member	11 April 2018	Finance Commerce Accountancy	1. Audit and Risk Committee 2. Finance Committee (Chairperson)
Mr L.S. Gabela	Member	11 April 2018	Finance, Auditing, Public Administration Economics Governance	1. Licencing, Registration, Monitoring, Control and Compliance Committee 2. Finance Committee 3. Audit and Risk Committee (Chairperson)
Adv K.P. Thango	Former Member	11 April 2018 to 15 January 2023	Legal	1. Social Ethics and Transformation Committee (Chairperson) 2. Disciplinary and Dispute Hearings Committee
Ms N. Maharaj	Member	04 August 2021	Legal Governance Financial Accounting	1. Dispute and Disciplinary Committee 2. Licensing Committee 3. Finance Committee
Ms F. Mkhize	Member	04 August 2021	Corporate Governance Business Leadership Commerce Resilience / Regulatory Compliance ICT Governance & Management Risk	1. HRR Committee (Chairperson) 2. SET Committee 3. Transformation Fund Adjudication Committee
Ms N.C. Mhlongo	Member	04 August 2021	Commerce Business Administration Audit, Risk Finance	1. Audit and Risk Committee 2. Licensing Committee
Mr M. Zikalala	Member	04 August 2021	Legal	1. Disputes and Disciplinary Committee (Chairperson) 2. Licensing Committee 3. SET Committee 4. Transformation Fund Adjudication Committee
Ms P.N. Baloyi	Chief Executive Officer	May 2012	Governance, Legal Compliance Business Leadership	1. EXCO 2. MANCO 3. Delegations 4. IT Steering Committee 5. Attends all Board and Committee meetings

- 4.1.4 The role of the non-executive Chairperson and the Chief Executive Officer is formalised, separate and clearly defined. The Chairman is responsible for leading the Board, while the Chief Executive Officer is responsible for the operational and financial management of the entity. The division of responsibilities at the helm of the entity ensures a balance of authority and power with no single individual having unrestricted decision-making powers.
- 4.1.5 The non-executive Board Members have extensive business experience and specialist skills across a range of sectors including Public Administration, finance, law and human resources. This enables them to provide balanced, independent advice and judgment in the decision-making process.
- 4.1.6 The Board Members are free from any business relationship that could interfere with their objectivity or judgment in the implementation of the business of the entity. Should a matter arise that has potential conflict with a Board Member's personal interest and the Member's obligation to act in the best interest of the entity, such Member is required to declare such conflict and recuse themselves from that part of the meeting where such matter will be discussed.
- 4.1.7 The Board Members provide effective leadership that is based on an ethical foundation, which is characterised by acting responsibly, accountably, honestly, with integrity and transparency. This sets the tone from the top, to promote an ethical culture within the Entity.
- 4.1.8 The Board meets at least eight times a year and additional meetings can be convened to consider specific business issues which may arise between scheduled meetings. Only one special Board meeting and a number of workshops were required during the year.

4.2 INDEPENDENCE OF BOARD MEMBERS

- 4.2.1 The KwaZulu-Natal Gaming and Betting Act prescribes that Board Members are appointed for a

fixed term period of three years, only, although they may be reappointed for a further term. Taking this into account and that there are no factors which are considered to prevent the Board Members from exercising their independent judgment or acting in an independent manner, all Members are considered to be classified as independent in terms of the King IV definition.

4.3 BOARD CHARTER

- 4.3.1 The scope of authority, responsibility, composition and functioning of the Board is contained in a formal charter which is regularly reviewed.
- 4.3.2 Board Members retain overall responsibility and accountability for:
- 4.3.2.1 Approving strategic plans;
 - 4.3.2.2 Monitoring operational performance and management;
 - 4.3.2.3 Ensuring effective risk management and internal controls;
 - 4.3.2.4 Legislative, regulatory and governance compliance;
 - 4.3.2.5 Approval of significant accounting policies and annual financial statements;
 - 4.3.2.6 Monitoring transformation and empowerment;
 - 4.3.2.7 Balanced and transparent reporting to stakeholders.

4.4 BOARD COMMITTEES

- 4.4.1 The Board has delegated specific functions to Committees, established in terms of Section 18 of the Act, to assist the Board in meeting its oversight responsibilities. All Board Committees are chaired by a Board Member.
- 4.4.2 The Board does not abdicate its responsibilities to the Committees, the ultimate responsibility still rests with the Board.
- 4.4.3 All Committees have documented terms of reference which are reviewed annually and the Head of Governance, Risk and Compliance confirms that the Committees have functioned in accordance with these written terms of reference during the financial year.



4.5 BOARD AND COMMITTEE MEETING ATTENDANCE

	Number of meetings held	Dr SG Ngcobo	Mrs MP Myeni	Adv KP Thango	Prof BS Stobie	Mr LS Gabela	Ms N. Mhlongo	Ms F. Mkhize	Ms N. Maharaj	Mr M. Zikalala
Board	6	1	6	3	6	6	6	6	5	5
Joint Board Strategy	1	1	-	1	1	-	1	1	1	-
Audit Committee	4	-	-	-	4	4	4	-	-	-
Dispute Hearing	4	-	-	3	-	-	-	-	4	1
SET Committee	4	-	4	3	-	-	-	3	-	1
Finance Committee	5	2	-	-	5	3	-	-	5	-
Human Resources Committee	4	-	-	-	3	4	-	4	-	-
Licensing, Committee	9	-	6	5	-	9	3	-	3	8
Public Hearings	2	-	2	2	-	2	-	-	-	2
Transformation Fund Adjudication Committee	2	-	-	1	-	-	-	2	-	1
Rationalisation Workstreams	2	-	-	-	2	2	-	-	-	-
Joint Board: Rationalisation	4	1	-	1	4	3	-	1	1	1
Stakeholder Engagement	6	1	-	2	1	5	2	-	2	1
Total	52	6	18	21	26	38	16	17	21	20

5 RISK MANAGEMENT

5.1 The KZNGBB follows a disciplined approach to evaluating risks and developing appropriate strategies to mitigate and manage risk. The risk management methodology is considered by the Audit and Risk Committee as well as the Social Ethics and Transformation Committee and any enhancements recommended during the financial year have been adopted.

5.2 The Board is responsible for the oversight of risk management and has delegated the responsibility to the Audit and Risk Committee. The Audit and Risk Committee is responsible for ensuring that the entity has implemented an effective policy and plan to manage risk and that disclosures regarding risk are comprehensive, timely and relevant.

5.3 The Head of Governance Risk and Compliance is responsible for designing and implementing the

risk management process and monitoring ongoing progress. With the assistance of a Risk Officer, she regularly reviews the entity's risk to ensure mitigation strategies are being implemented by the business units. Internal Auditors monitor the progress of the entity and business units in managing risks and report their findings to the Audit Committee quarterly.

5.4 Risk management is embedded in the entity's annual business planning cycle. In determining the strategic and operational plans for the year ahead each business unit is required to review its operational risk register. This includes a review of the risks of the previous financial year, considering new and emerging risks and facilitated workshops with all levels of management. A risk framework sets out the various risks that should be considered as part of the risk identification process. These potential risks are updated annually to ensure all relevant issues are considered.

5.5 Each risk on the register is assigned an impact and probability rating. The impact assigned to a risk is assessed and takes account of the financial, compliance, reputation and people effects on the entity. The probability of a risk materialising is also measured. The impact and probability ratings are then used to determine the inherent risk rating and its significance to the entity.

5.6 Detailed risk mitigation plans are developed for each risk, which then determines the level of residual risk. Residual risk ratings are then assigned to each risk.

5.7 Quarterly reports are furnished to the Audit and Risk Committee and to Board on the implementation of the risk mitigation plans.

6 THE AUDIT AND RISK COMMITTEE

6.1 ROLE

The Committee has an independent role with accountability to both the Board and stakeholders. The Committee's responsibilities include the statutory duties prescribed by the Public Finance Management Act, the KZN Gaming and Betting Act and activities recommended by King IV, Principles for good governance embodied in the Protocol for Corporate Governance in the Public Sector, as well as additional responsibilities assigned by the Board.

6.2 FUNCTIONS

The Committee's functions cover reporting, combined assurance, internal audit, financial management, performance management, risk management and external audit and are outlined in detail in the Audit and Risk Committee report on pages 64 to 65 of the audited financial statements.

6.3 COMPOSITION

The Committee is comprised of four Board Members, one of whom is appointed as the Chairperson. One Member is not a Board Member and is appointed by the MEC Responsible. The Chairperson of the Committee was Mr L. Gabela until 30 January 2023 and thereafter Ms N. Mhlongo assumed the position.

The Responsible MEC further appointed Mr Khaya Mthethwa of EDTEA, as a Section 8 Representative to sit on the Audit and Risk Committee.

7 ACCOUNTABILITY AND COMPLIANCE

7.1 INTERNAL AUDIT

The internal audit function provides information to facilitate the establishment and maintenance of an effective system of internal control to manage risks associated with the entity's business. The role of internal audit is outlined in the terms of reference of the Audit Committee and in the Internal Audit Charter. During the year the Internal Audit Function was carried out by Morar Inc, and the lead Internal Auditor was Mr Mahendra Naicker who sadly passed away during March 2023. Details of the internal audit function are contained in the Audit and Risk Committee Report on pages 64 to 65 of the audited financial statements.

7.2 INTERNAL CONTROL

Systems of internal control are designed to manage, rather than eliminate, the risk of failure to achieve the entity's strategic objectives and to provide reasonable, not absolute, assurance against misstatement or loss. The Audit and Risk Committee considers the results of formal documented reviews of systems of internal controls and risk management including the design, implementation, and effectiveness of internal financial controls. In addition, the Audit and Risk Committee has oversight of the entity's performance against its strategic targets and annual performance plan.

7.3 EXTERNAL AUDIT

The Board members ultimately accept responsibility for the preparation of the audited annual financial statements and performance reports and that they fairly represent the results of the entity in accordance with the PFMA and GRAP Standards. The Auditor-General as "External Auditor" for the entity is responsible for independently auditing and reporting on the financial statements, in conformance with GRAP Standards and applicable laws, as well as the performance of the entity.



8 LEGISLATIVE AND REGULATORY COMPLIANCE

- 8.1 Legislative and regulatory compliance is monitored by the Head, Governance, Risk and Compliance.
- 8.2 She is responsible for providing advice to the operational business units, creating awareness and developing an understanding of relevant legislation and regulation.
- 8.3 Compliance with the Financial Intelligence Centre Act 38 of 2001 (as amended), the Broad based Black Economic Empowerment Act, 53 of 2003 as amended and the Protection of Personal Information Act, 4 of 2013, has received focused attention during the financial year as has compliance the PFMA and Treasury Regulations.
- 8.4 Five requests for information were received by the KZNGBB in terms of the promotion of Access to Information Act during the period. Where the entity was in possession of the requested information and it was information that could be disclosed, this was provided.
- 8.5 The entity has no instances of major non-compliance with legislation during the period and no fines were incurred.

9 FRAUD AND CORRUPTION

- 9.1 The KZNGBB subscribes to the highest ethical standards of business conduct. A set of values and a Code of Conduct requires staff to display integrity, respect, openness, and affords them the right and obligation to challenge others who are not adhering to these values.
- 9.2 The KZN Gaming and Betting Act and Code of Conduct also sets stringent standards relating to the acceptance of gifts from third parties and declarations of potential conflicts of interest.
- 9.3 A fraud prevention policy and Fraud response Plan ensures the entity's firm stance against fraud and details its intention to prosecute offenders. This policy outlines the Board's response to fraud, theft and corruption committed by staff and external parties against the entity. During the year fraud awareness has gain been a priority for the GRC Unit. Ethics awareness sessions were held and the improvement of an ethics culture was also a focal area for the Unit with the implementation of

an Ethics Improvement Plan of action.

- 9.4 No instances of fraud or corruption were reported to the Head: GRC during the year for investigation.
- 9.5 Staff are encouraged to report suspected fraudulent or unethical behaviour via a toll-free telephone service managed by an external service provider. All reported incidents are investigated.
- 9.6 Awareness of this facility has been enhanced and staff members are encouraged to report incidents before significant losses are incurred.

10 MINIMISING CONFLICTS OF INTEREST AND CODE OF CONDUCT

- 10.1 The KZN Gaming and Betting Act, the PFMA, the Board Charter and the Code of Conduct have robust clauses requiring declarations of interest to be lodged by Board Members with the responsible MEC via the office of the Section 8 representative and for declarations to be made at each meeting where the potential for conflict arises.
- 10.2 Employees of the entity annually submit their declarations of interest and must also furnish such declarations at each meeting attended.
- 10.3 On appointment Members and employees are rigorously probed to ensure that they have the appropriate qualifications and are upstanding fit and proper persons to be associated with the entity. Appointment is only confirmed once these processes have been undertaken.

11 HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

- 11.1 The CEO has appointed an internal Occupational Health and Safety Committee which is Chaired by the Chief Legal Advisor. The Committee meets to consider any health and safety issues which may be presented to it and to ensure that the entity is compliant with the Occupational Health and Safety Act 85 of 1993.
- 11.2 The entity's offices re inspected annually for compliance and no material findings have been raised against the entity during the past year.

12 BOARD SECRETARY

The Board Secretary ensures that board procedures, all regulations and governance codes are observed and also provides guidance to the Board Members on governance, compliance and their fiduciary responsibilities. Members have unrestricted access to the advice and services of the Board Secretary.

The Board Secretary was appointed and assumed her duties on the 04 May 2022. The Board is satisfied that the Board Secretary has the necessary skills and expertise to fill the role.

13 SOCIAL RESPONSIBILITY

- 13.1 It is the Board's mandate to ensure that all gambling authorised by it is conducted in a manner that promotes the integrity of the gambling industry and does not cause harm to the public interest. The KwaZulu-Natal Gaming and Betting Board in accordance with the entity's legislated mandate, must ensure that the interests of the public are maintained whilst ensuring that the industry invests in socio-economic development of communities. The entity maintains a balance between job creation, socio-economic development and revenue collection contributions by this sector.
- 13.2 Some of the KwaZulu-Natal Gaming and Betting industry's Corporate Social Responsibility Commitments are based on license conditions and are aligned to education and infrastructure programmes incorporating community education, Health infrastructure and Social Development, Community Development, Support and Moral Regeneration Programmes, Agriculture, Conservation and Environmental Programmes and Arts, Culture, Sports and Recreation programmes. The KZNGBB ensures compliance by the licensee in terms of Corporate Social Responsibility commitments,
- 13.3 The Board takes this mandate seriously when granting licences or registrations and in its monitoring function. Licence conditions are imposed which take the community's, in which our licensees operate, best interest into account. The Monitoring and Compliance Business Units ensure adherence to these licence conditions as well as initiatives of the South African Responsible Gambling Foundation with whom the KZNGBB has a close working relationship.
- 13.4 In addition to ensuring that the industry is regulated meets its societal responsibilities, the Board also conducts its own awareness campaigns with the South African Responsible Gambling Foundation (SARGF), and outreach and community awareness sessions are conducted on an ongoing basis.
- 13.5 During the year the Board commissioned a study of the Economic Impact of Traditional Horseracing and Thoroughbred Horseracing Sectors in Kwazulu-Natal. This report will be due for publication during the first quarter of the new financial year.
- 13.6 The Board has its own Business Development Unit which engages previously disadvantaged individuals or small companies in an attempt to bring them into the industry under the Black Industrialist Programme to ensure opportunities are available to them and to enhance transformation on the industry. This programme is expected to create jobs and foster significant investment in the province.
- 13.7 Water Infrastructure Provision Projects The KZNGBB has received three requests from tribal authorities located in the Umkhanyakude Districts. There are engagements which are currently being undertaken to facilitate the raising of funds among the industry to assist with the provision of water within these authorities. This is a medium term projects as there are complex requirements that must be adhered to within the scope of work to be undertaken.
- 13.8 Gender Based Violence Projects. The MOU between Sibaya and the Office of the Premier has been finalised with both parties agreeing on the content of the agreement. The categories in respect of Support for the GBV interventions programme to be rolled out in the province has been developed. The implementation of the project plan in respect of the MOU will now commence in earnest. These areas include the roll-out of economic support for victims of GBV, the improvement of infrastructure for the victims of GBV as well as the construction of the Victim Friendly Facilities at the SAPS police stations in the province wherein there are no facilities which are available to victims of GBV. There was a symbolic cheque handover that was undertaken on 25 November 2022 at the Launch of 16 Days of Activism which took place in Umlazi between the Premier of KZN, Ms N. Dube-Ncube and the Chairperson of Sibaya Trust.



GALLERY OF COMMUNICATIONS AND INVOLVEMENT IN KZNGBB SOCIO ECONOMIC PROGRAMS



Charity Golf Day



Community Based Engagement at 100 Days event



KZNGBB Licensee: Kingdom Slots CSI Project Alipore Primary School Ablution Facility Refurbishment



KZNGBB Licensee: Kingdom Slots CSI Project Alipore Primary School Cheque Handover



KZN Gaming and Betting Board Licensee Kingdom Slots CSI: North Coast Centre For Alcoholics



KZN Gaming and Betting Board Licensee Kingdom Slots: Nykana Primary School



Traditional Horseriding Association exhibition at EDTEA 100 days event



Traditional Horseriding Festival Dundee July 2022



Dundee Horseriding Festival Fashion



KZNGBB Transformation Fund Handover



Dundee Horseriding Festival KZNGBB Handover



Hollywoodbets Durban July 2022





Joint Engagement Sessions



KZNGBB and South African Bookmakers Clerk Course Graduation



Kilmun Traditional Horserace



Kilmun Traditional Horserace



Launch of Prive Lounge at Goldrush Bingo Ballito



Licencee stakeholder engagement session



Nambian Delegation Gold Rush Bingo Ballito visit



Nambian Delegation Marshalls World of Sport Umhlanga



Nambian Delegation Sibaya Casino Visit



National Gambling Board Conference 2023



Premier's Imbizo Event in Masinga



Office of the Premier: KZN Sibaya Casino's collaboration on GBV Interventions





KZNGBB Transformation Fund handover



EDTEA Community Based event in Umzinto



Umhleli Foundation Career expo at Mandini



Punter Education (Bookmaking Site)



Punter Education Session (Bingo Site)



Awareness Sessions (Schools)



Awareness Sessions (Tertiary)

SCHOOLS AWARENESS SESSIONS



14. AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2023.

ATTENDANCE AT MEETINGS

During the 2022/23 financial year the Audit and Risk Committee (“the committee”) was comprised of the requisite four members. On 31 January 2023, the Board appointed Ms C N Mhlongo as the Chairperson of the Committee. Mr Mthethwa was appointed as an external member by the MEC: EDTEA, the Honourable Mr S. Duma.

In accordance with the approved Audit and Risk Committee Charter, the Committee must meet at least four (4) times per annum. During the reporting period four (4) meetings were held and attendance was as tabled below:

Name of Member	Number of Meetings Attended
Mr L.S. Gabela	4
Prof B.S. Stobie	4
Ms C.N. Mhlongo	4
Mr K. Mthethwa	0

AUDIT COMMITTEE RESPONSIBILITY

We report that we have adopted appropriate formal terms of reference in our Charter in line with the requirements of Section 51 (1) (a) (ii) of the Public Finance Management Act and Treasury Regulation 27.1. We report further that we have conducted our affairs in compliance with this Charter.

INTERNAL AUDIT

We are satisfied that during the reporting period the internal audit function, performed by Morar Inc, operated effectively in line with the internal audit plan approved by the Audit and Risk Committee. All the planned audits were conducted during the 2022/23 financial year.

As a committee, we met with the Internal Auditor during the year to ensure that the function was executed effectively and objectively. We are satisfied with the content and quality of the quarterly reports prepared and issued by the internal auditors of the entity during the year under review.

MANAGEMENT REPORTS

The Committee reviewed the quarterly in year management reports submitted in terms of the PFMA. The Committee was satisfied with the content and quality of reports prepared and submitted by management during the year.

THE EFFECTIVENESS OF INTERNAL CONTROL

In line with the requirements of the PFMA, Treasury Regulations and the King IV Report on Corporate Governance for South Africa 2016 (effective 01 April 2017), Internal Audit provides the Audit Committee and management with the assurance that internal controls are appropriate and effective. The Committee ensures that there is an Internal Audit function which is independent of management. The Committee oversees the appointment, contract, and the remuneration of the Internal Audit function. The Internal Audit function has access to the Audit and Risk Committee Chairperson for the Internal Audit reporting to the Committee on internal audit duties and other matters designated to the function. The Audit and Risk Committee monitors that the Internal audit function follows a risk-based plan, reviews the risk profile regularly and adapts the plan accordingly. We were sad to hear of the untimely passing of the Internal Auditor, Mr M. Naicker during March 2023. His position was effectively taken up by Mrs Naidoo from Morar Inc to complete the year end processes.

Based on the various reports by Internal Audit, the Audit Report on the Annual Financial Statements and the management report of the Auditor-General, the Committee noted that some matters were reported indicating deficiencies in the systems of internal control. A formal improvement plan has been developed to address these control deficiencies identified. Management will report regularly to the audit committee with respect to their progress over the course of 2023/2024. We also noted that management has implemented adequate controls in most areas within the organisation to provide reasonable assurance that major inherent risks are appropriately identified; reasonably managed and applicable legislation is adhered to. During the period, the Audit and Risk Committee also held engagement with the Internal Audit function.

Accordingly, we can report that the system of internal control over the financial reporting period under review was efficient and effective.

EVALUATION OF FINANCIAL STATEMENTS

The CEO, CFO and the internal auditor reviewed the controls over financial reporting and presented their findings to the Audit Committee.

We have subsequently:

- Reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General South Africa and the Chief Executive Officer (Accounting Officer).
- Reviewed the Auditor-General South Africa's management report and management's response thereto.
- Reviewed changes in accounting policies and practices.
- Reviewed the entity's compliance with legal and regulatory provisions; and
- Reviewed AFS for any significant adjustments made as a result of the audit.

We are satisfied with the annual financial statements, concur with and are pleased to accept the Auditor-General South Africa's report on the annual financial statements and performance. We are of view that the clean audit opinion should be accepted and read together with the report of the Auditor-General South Africa.



Ms C N Mhlongo

Chairperson of the Audit and Risk Committee: KwaZulu-Natal Gaming and Betting Board

Date: 31 July 2023



15 B-BBEE COMPLIANCE PERFORMANCE REPORT

15.1. The B-BBEE (Broad-Based Black Economic Empowerment) Compliance Performance Report for KZNGBB (KwaZulu-Natal Gambling and Betting Board) provides a comprehensive overview of the board's efforts and achievements in promoting economic transformation, inclusivity, and empowerment within the gaming and betting industry in the KwaZulu-Natal province.

KEY HIGHLIGHTS:

- 1. Empowerment Initiatives:** The report highlights KZNGBB's initiatives aimed at fostering economic empowerment among historically disadvantaged individuals and communities. These initiatives encompass areas such as ownership, management control, skills development, procurement, and socio-economic development.
- 2. Ownership and Equity:** The report outlines the progress made in increasing black ownership and equity participation in the gaming and betting sector. It showcases the efforts undertaken to ensure that previously marginalized individuals have a stake in the industry's economic gains.
- 3. Management Control:** KZNGBB's commitment to promoting black representation in management positions is detailed in the report. This includes initiatives to empower black professionals and leaders, ensuring that decision-making roles are more inclusive and reflective of the broader population.
- 4. Skills Development:** The report provides insights into the board's endeavours to enhance the skills and capacities of black individuals within the industry. It highlights training programs, mentorship initiatives, and partnerships aimed at bridging skills gaps and promoting career advancement.
- 5. Procurement and Supplier Diversity:** KZNGBB's approach to fostering supplier diversity and supporting black-owned businesses is outlined. The report showcases efforts to increase the participation of black suppliers in the board's procurement processes and the broader gaming supply chain.
- 6. Socio-Economic Development:** The report emphasizes the board's commitment to uplifting local communities through socio-economic development initiatives. It provides an overview of projects that have been undertaken to contribute to community well-being, education, healthcare, and infrastructure.
- 7. Collaboration and Accountability:** The report highlights partnerships with industry stakeholders, government bodies, and community organizations to drive meaningful transformation. It emphasizes KZNGBB's accountability in tracking progress, reporting outcomes, and continually improving its B-BBEE compliance performance.
- 8. Future Strategies:** The report may include insights into KZNGBB's plans for enhancing B-BBEE compliance, addressing challenges, and leveraging opportunities for greater economic empowerment and social upliftment.

In conclusion, the B-BBEE Compliance Performance Report for KZNGBB reflects the board's commitment to driving transformation and empowerment within the gaming and betting industry. Through a comprehensive range of initiatives, partnerships, and strategic actions, KZNGBB aims to create a more inclusive, representative, and economically empowered sector that benefits both historically disadvantaged individuals and the broader community. The KZNGBB is currently sitting at BBEE Level 8 compliance.

Has the Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	Response Yes/No	Discussion
Determining qualification criteria for the issuing of licences, concession or other authorisations in respect of economic activity in terms of any law?	Yes	The KZN Gaming and Betting Act has qualifying criteria for the issuing of licenses, and this is read in conjunction with criteria set out in the National Gambling Act as well criteria as the Black Economic Empowerment Act and any Request for Application which might be issued by the Board in terms of the Act.
Developing and implementing a preferential procurement policy?	Yes	The KZN Gaming and Betting Board has developed and implemented a preferential procurement policy.
Developing qualification criteria for the sale of state-owned enterprises	Not Applicable	N/A
Developing criteria for entering into partnerships with the private sector?	Not Applicable	N/A
Determining criteria for the awarding of incentives, grants and investments schemes in support of Broad Based Black Economic Empowerment?	Yes	The KZN Gaming and Betting Board has commenced a Black Industrialist Programme and Transformation Fund which will ultimately give grants Black companies. Criteria for determining who will qualify for such grant have been developed in the Transformation Fund Terms of Reference, Business Model and Guidelines as well as the Black Industrialist Policy.



PART D:

HUMAN RESOURCE MANAGEMENT



1. INTRODUCTION

The entity has an approved structure of 100 posts. At year end 70 of these positions were filled, some of which are on a contract basis. The entity is in the process of a rationalising with the KZN Liquor Authority. As such, the focus is on aligning the operations of the two entities and minimising any duplication in function. Therefore all appointments require the approval of both entities prior to filling of positions. In addition some positions can only be filled on a contractual basis until the rationalisation process is finalised.

The entity has an approved performance management and development policy which has been implemented. Staff are formally assessed twice a year for their performance with informal assessments taking place in between. There is a moderation committee in place to moderate on the overall

performance of the entity up to the level of Management. The performance of the CEO and Executive Management is moderated by the Accounting Authority.

An employee wellness programme has been implemented by the entity to offer support to staff. The programme offers legal advice, financial advice, family care & support and trauma counseling to staff amongst other offerings.

During the year the unit focused on the rationalisation process, consequence management and improving the employer/employee relationship. In addition, the unit reviewed policies as part of the rationalisation process.

The future plans of the unit is to fill existing budgeted vacancies, assess the resource requirements, policy development and implementation and completion of the rationalisation process.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

2.1 PERSONNEL RELATED EXPENDITURE

PERSONNEL COST BY PROGRAMME/ ACTIVITY/ OBJECTIVE

Programme/ Activity/ Objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee (R'000)
Employees	87 001	63 692	73%	74	861
Internship programme	87 001	1 052	1%	18	58
Total	87 001	64 744	74%	92	704

PERSONNEL COST BY SALARY BAND

Level	Personnel Expenditure (R'000)	% of Personnel Exp. To Total Personnel Cost	No of Employees	Average personnel cost per employee (R'000)
Top Management	2 877	4,44%	1	2 877
Senior Management	10 969	16,94%	6	1 828
Professional qualified	14 292	22,07%	13	1 099
Skilled	32 995	50,96%	47	702
Semi – Skilled	2 011	3,11%	5	402
Unskilled	548	0,85%	2	274
Interns	1 052	1,62%	18	58
Total	64 744	100,00%	92	704

PERFORMANCE REWARDS

Performance rewards were not paid to staff in the year under review.

TRAINING COSTS

Programme/ Activity/ Objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training expenditure as a % of Personnel exp.	No. of employees trained	Average training cost per employee (R'000)
Advanced Executive Assistance Masterclass	64 744	26	0,04%	3	9
GovLaw Conference	64 744	10	0,02%	1	10
ITIL Foundation	64 744	10	0,02%	1	10
Mastering Board Leadership	64 744	13	0,02%	2	7
Minute Taking for Meetings	64 744	12	0,02%	12	1
"Occupational Health & Safety Representative"	64 744	6	0,01%	5	1
Team Intervention	64 744	19	0,03%	8	2
The Critical Skills Workshop	64 744	5	0,01%	1	5
Women in Leadership	64 744	2	0,00%	1	2
Building Workplace Relations	64 744	23	0,04%	8	3
Bursaries - various	64 744	257	0,40%	5	51
Total	64 744	383	0,59%	47	8

EMPLOYMENT AND VACANCIES

Programme / Activity / Objective	2021/22 No. of Employees	2022/23 No of Approved Posts	2022/23 No of Employees	2022/23 No of Vacancies	% of Vacancies
Office of the CEO	3	4	3	1	25,00%
Governance, Risk & Compliance	4	6	5	1	16,67%
Legal Services	3	4	3	1	25,00%
Human Resources	7	10	7	3	30,00%
Communications	1	2	1	1	50,00%
Finance	9	12	9	3	25,00%
ICT	4	6	4	2	33,33%
Licensing & Registration	11	13	11	2	15,38%
Monitoring & Control	29	38	24	14	36,84%
Chief Operating Officer	1	2	1	1	50,00%
Business Development Unit*	0	1	2	-1	-100,00%
Total	72	98	70	28	28,57%

* - Staff seconded from Monitoring & Compliance to the unit



EMPLOYMENT AND VACANCIES

Level	2021/22 No. of Employees	2022/23 No of Approved Posts	2022/23 No of Employees	2022/23 No of Vacancies	% of Vacancies
Top Management	1	1	1	0	0,00%
Senior Management	6	10	6	4	40,00%
Professional qualified	11	13	12	1	7,69%
Skilled	47	59	44	15	25,42%
Semi – Skilled	5	13	5	8	61,54%
Unskilled	2	2	2	0	0,00%
TOTAL	72	98	70	28	28,57%

The filling of the vacant positions is subject to obtaining the requisite approvals from the Department, Provincial Treasury and the Office of the Premier. The entity is also part of the rationalisation process with the KZN Liquor Authority and approval must be obtained from the aforementioned entity prior to filling any vacant positions.

The approval to fill the vacated positions was received after year end (August) and the process to fill will commence in the 2023/24 financial year.

EMPLOYMENT CHANGES

During the year the entity appointed one employee and had three resignations. The employees resigned for career development opportunities.

Level	Employment at beginning of the period	Appointments	Terminations	Employment at end of the period
Top Management	1			1
Senior Management	6			6
Professional qualified	11	1		12
Skilled	47		3	44
Semi – Skilled	5			5
Unskilled	2			2
TOTAL	72	1	3	70

REASONS FOR STAFF LEAVING

Reason	Number	% of Total No. of Staff Leaving
Death		0,00%
Resignation	3	100,00%
Dismissal		0,00%
Retirement		0,00%
Ill health		0,00%
Expiry of contract		0,00%
Other		0,00%
Total	3	100,00%

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

Nature of Disciplinary Action	Number
Verbal warning	
Written warning	3
Final written warning	
Dismissal	
Total	3

EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

Levels	MALES							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management		36	0	0		3		2
Senior Management	2		0		1		2	
Professional Qualified	8		0		1			
Skilled	15		0		3			
Semi-skilled	3		0					
Unskilled			0					
TOTAL	28	36	0	0	5	3	2	2

Levels	FEMALES							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	40		1		3		2
Senior Management							1	
Professional Qualified	2				1			
Skilled	16		1		7		2	
Semi-skilled	1		1					
Unskilled	2							
TOTAL	22	40	2	1	8	3	3	2

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	1	0	1
Senior Management	0		0	
Professional Qualified	0		0	
Skilled	0		0	
Semi-skilled	0		0	
Unskilled	0		0	
TOTAL	0	1	0	1





PART E:

FINANCIAL STATEMENTS

KwaZulu-Natal Gaming & Betting Board

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2023



INDEX

The reports and statements set out below comprise the consolidated annual financial statements presented to the provincial legislature:

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ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The members are required by the Public Finance and Management Act, (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the consolidated annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements and was given unrestricted access to all financial records and related data.

The consolidated annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The consolidated annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The members acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the accounting authority sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risks cannot be fully eliminated, the entity endeavours to minimise them by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The members have reviewed the entity's cash flow forecast for the year to 31 March 2024 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is largely dependent on the entity for continued funding of operations. The consolidated annual financial statements are prepared on the basis that the entity is a going concern, and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the accounting authority are primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's consolidated annual financial statements. The consolidated annual financial statements have been examined by the entity's external auditors and their report is presented on pages 75 to 78.

The consolidated annual financial statements set out on pages 81 to 126, which have been prepared on the going concern basis, were approved by the accounting authority on 29 May 2023 and were signed on its behalf by:



Ms MP Myeni
Chairperson

Date: 31 July 2023

REPORT OF THE AUDITOR-GENERAL TO THE PROVINCIAL LEGISLATURE ON THE KWAZULU-NATAL GAMING AND BETTING BOARD GROUP

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

1. I have audited the consolidated financial statements of the KwaZulu-Natal Gaming and Betting Board Group set out on pages 81 to 126, which comprise the consolidated statement of financial position as at 31 March 2023, the consolidated statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies.
2. In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the KZN Gaming and Betting Board Group as at 31 March 2023, and their financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).
3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the consolidated financial statements section of my report.
4. I am independent of the group in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

OTHER MATTER

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

NATIONAL TREASURY INSTRUCTION NO. 4 OF 2022/2023: PFMA COMPLIANCE AND REPORTING FRAMEWORK.

7. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in notes 31 to 32 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of Gaming and Betting Board Group. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees.
8. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report



REPORT OF THE AUDITOR-GENERAL TO THE PROVINCIAL LEGISLATURE ON THE KWAZULU-NATAL GAMING AND BETTING BOARD GROUP *...continued*

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

9. The board, which constitutes the accounting authority is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
10. In preparing the consolidated financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

11. My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
12. A further description of my responsibilities for the audit of the consolidated financial statements is included in the annexure to this Auditor's Report.
13. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programme presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

14. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programme presented in the annual performance report. The Accounting authority is responsible for the preparation of the annual performance report.
15. I selected **Programme: Monitoring and compliance** presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected a programme that measures the entity's performance on its primary mandated functions and that are of significant national, community or public interest.
16. I evaluated the reported performance information for the selected programme against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.

REPORT OF THE AUDITOR-GENERAL TO THE PROVINCIAL LEGISLATURE ON THE KWAZULU-NATAL GAMING AND BETTING BOARD GROUP *...continued*

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT *...continued*

14. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programme presented in the annual performance report. The Accounting authority is responsible for the preparation of the annual performance report.
15. I selected **Programme: Monitoring and compliance** presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected a programme that measures the entity's performance on its primary mandated functions and that are of significant national, community or public interest.
16. I evaluated the reported performance information for the selected programme against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.
17. I performed procedures to test whether:
 - the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives
 - the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
 - the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
 - the reported performance information is presented in the annual performance report in the prescribed manner
 - there are adequate supporting evidence for the achievements reported and for the reasons provided for any over or underachievement of targets.
18. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.
19. I did not identify any material findings on the reported performance information of Monitoring and compliance.

OTHER MATTERS

20. I draw attention to the matters below.

ACHIEVEMENT OF PLANNED TARGETS

21. The annual performance report on pages 44 to 49 sets out information on the achievement of planned targets for the year and management's explanations provided for the over achievement of targets.



REPORT OF THE AUDITOR-GENERAL TO THE PROVINCIAL LEGISLATURE ON THE KWAZULU-NATAL GAMING AND BETTING BOARD GROUP *...continued*

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

22. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the entity's compliance with legislation.
23. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
24. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this Auditor's Report.
25. I did not identify any material non-compliance with the selected legislative requirements.

OTHER INFORMATION IN THE ANNUAL REPORT

26. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report. The other information does not include the consolidated financial statements, the Auditor's Report and the selected programme presented in the annual performance report that have been specifically reported in this Auditor's Report.
27. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
28. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements and the selected programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
29. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

30. I considered internal control relevant to my audit of the consolidated financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

Auditor General

Pietermaritzburg
31 July 2023



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

PROFESSIONAL JUDGEMENT AND PROFESSIONAL SCEPTICISM

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programmes and on the entity's compliance with selected requirements in key legislation.

FINANCIAL STATEMENTS

2. In addition to my responsibility for the audit of the financial statements as described in this Auditor's Report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit 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
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
 - conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my Auditor's Report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this Auditor's Report. However, future events or conditions may cause a entity to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.



ANNEXURE TO THE AUDITOR'S REPORT

COMPLIANCE WITH LEGISLATION – SELECTED LEGISLATIVE REQUIREMENTS

5. The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act No.1 of 1999 (PFMA)	Section 51(1)(a)(iv); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii) Section 53(4) Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 56(1); 56(2) Section 57(b);
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Regulation 8.2.1; 8.2.2 Regulation 16A 3.2; 16A 3.2(a); 16A 6.1; 16A6.2(a) & (b); 16A 6.3(a); 16A 6.3(a)(i); 16A 6.3(b); 16A 6.3(c); 16A 6.3(e); 16A 6.4; 16A 6.5; 16A 6.6; 16A 8.3; 16A 8.4; 16A9.1(b)(ii); 16A 9.1(d); 16A 9.1(e); 16A9.1(f); 16A 9.2(a)(ii) Regulation 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1 Regulation 31.1.2(c); Regulation 33.1.1; 33.1.3
Public service regulation	Public service regulation 13(c);18; 18 (1) and (2);
PRECCA	Section 29; 34(1)
CIDB Act	Section 18(1)
CIDB Regulations	CIDB regulation 17; 25(1); 25 (5) & 25(7A)
PPPFA	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
PPR 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 10.1; 10.2 Paragraph 11.1; 11.2 Paragraph 12.1 and 12.2
PPR 2022	Paragraph 3.1 Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
PFMA SCM Instruction no. 09 of 2022/2023	Paragraph 3.1; 3.3 (b); 3.3 (c); 3.3 (e); 3.6
National Treasury Instruction No.1 of 2015/16	Paragraph 3.1; 4.1; 4.2
NT SCM Instruction Note 03 2021/22	Paragraph 4.1; 4.2 (b); 4.3; 4.4; 4.4 (a); 4.4(c); 4.4(d); 4.6 Paragraph 5.4 Paragraph 7.2; 7.6
NT SCM Instruction 4A of 2016/17	Paragraph 6
NT SCM Instruction Note 03 2019/20	Paragraph 5.5.1(vi); 5.5.1(x)
NT SCM Instruction Note 11 2020/21	Paragraph 3.1; Paragraph 3.4(a); 3.4(b) Paragraph 3.9 Paragraph 6.1; 6.2; 6.7
NT SCM Instruction note 2 of 2021/22	Paragraph 3.2.1; 3.2.2; 3.2.4(a); 3.2.4(b); 3.3.1; Paragraph 4.1
PFMA SCM Instruction 04 of 2022/23	Paragraph 4(1) Paragraph 4(2) Paragraph 4(4)
Practice Note 5 of 2009/10	Paragraph 3.3
PFMA SCM instruction 08 of 2022/23	Paragraph 3.2 Paragraph 4.3.2; 4.3.3
Competition Act	Section 4(1)(b)(ii)
NT instruction note 4 of 2015/16	Paragraph 3.4
NT instruction 3 of 2019/20 - Annexure A	Section 5.5.1 (iv) and (x)
Second amendment of NTI 05 of 2020/21	Paragraph 4.8; 4.9; 5.1; 5.3
Erratum NTI 5 of 202/21	Paragraph 1
Erratum NTI 5 of 202/21	Paragraph 2
Practice note 7 of 2009/10	Paragraph 4.1.2
Practice note 11 of 2008/9	Paragraph 3.1 Paragraph 3.1 (b)
NT instruction note 1 of 2021/22	Paragraph 4.1
Public Service Act	Section 30 (1)

ACCOUNTING AUTHORITY'S REPORT

The members submit their report for the year ended 31 March 2023.

1. ESTABLISHMENT

The entity was established on 01 April 2011 in terms of Section 5 of the KwaZulu-Natal Gaming and Betting Act, Act 8 of 2010, as amended.

2. REVIEW OF ACTIVITIES

MAIN BUSINESS AND OPERATIONS

In terms of Section 6 of the Act, the objects of the Board are to:

- (a) Ensure that all gambling authorised under this Act is conducted in a manner which promotes the integrity of the gambling industry and does not cause harm to the public interest;
- (b) Ensure that all gaming authorised under this Act promotes the Province's objectives for developing a gaming industry whose objectives are the promotion of tourism, employment and economic and social development in the Province;
- (c) Promote opportunities for persons contemplated in the definition of "broad-based black economic empowerment", as contained in the Broad-Based Black Economic Empowerment Act, 2003 (Act No.53 of 2003), to participate in the gambling industry of the Province in the capacity of licensees or registrants under this Act ;
- (d) Increase the ownership stakes of persons contemplated in the definition of "broad-based black economic empowerment", as contained in the Broad-Based Black Economic Empowerment Act, 2003 (Act No.53 of 2003), in the gambling industry of the Province;
- (e) Develop appreciation for and knowledge of horse racing amongst all communities, particularly those comprised of historically disadvantaged persons; and
- (f) Limit restrictive practices, the abuse of dominant market position and mergers in the betting industry, as contemplated in the Competition Act, 1998 (Act No. 89 of 1998), and the Board is, for the purposes of the said Act, a regulatory authority as defined in section 1 of that Act.

The operating results and state of affairs of the entity are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net deficit of the entity was R 8 009 507 (2022: deficit R 5 665 444). The deficit is the result of the entity paying for its office lease rentals from surpluses that it was authorised to retain for said purposes. In addition the depreciation charge each year contributes to the loss reflected by the entity. Furthermore, the Transformation Fund disbursed over a R1 million in grants to beneficiaries for the year.

OTHER COMMENTS:

In line with the announcement by the President to rationalise public entities, the Provincial government has in turn commenced with a process of rationalisation of public entities in the Province. The Provincial Executive Council has resolved that the operations of the entity and KwaZulu-Natal Liquor Authority be rationalised. Work has begun in earnest to give effect to the resolution under the guidance of the Department of EDTEA.



ACCOUNTING AUTHORITY'S REPORT

3. GOING CONCERN

We draw attention to the fact that at 31 March 2023, the entity had an accumulated surplus of R 34 601 064 and that the entity's total assets exceed its liabilities by R 34 601 064.

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

In June 2020, the Provincial Executive Council took a decision that the operations of the KwaZulu-Natal Gaming & Betting Board and the KwaZulu-Natal Liquor Authority should be rationalised. In light of such decision, work has begun in earnest to give effect to the resolution under the guidance of the Department of EDTEA. As part of the process, new legislation must be drafted to give effect to the decision. At this stage these legislative amendments have not been promulgated and as such the operations of the entity are expected to continue for the next 12 months. Furthermore, the transitional arrangements proposed in the revised legislation, will result in the transfer of the entire operations of the entity to the new entity, therefore the realisation of assets and settlement of liabilities, contingent obligations and commitments is expected to occur in the ordinary course of business i.e. there is no need to reassess the carrying values of assets and liabilities.

4. SUBSEQUENT EVENTS

The members are not aware of any matter or circumstance arising since the end of the financial year.

5. ACCOUNTING POLICIES

The consolidated annual financial statements have been prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. ACCOUNTING AUTHORITY

The MEC of EDTEA has extended the term of office for the existing members until the Rationalisation process is finalised. During the current year, two (2) members resigned from the Board. The MEC of EDTEA has commenced with the process of appointing additional members to fill the vacancies that exist on the Board.

The members of the entity during the year and to the date of this report are reflected below:

Name	Nationality	Changes
Dr SG Ngcobo	South African	Resigned 29 November 2022
Ms MP Myeni	South African	
Adv KP Thango	South African	Resigned 11 January 2023
Mr LS Gabela	South African	
Dr TI Nzimakwe	South African	Term ended 31 July 2021
Prof. BS Stobie	South African	
Mr SN Chetty	South African	Term ended 31 July 2021
Mrs N Maharaj	South African	Appointed 01 August 2021
Mrs CN Mhlongo	South African	Appointed 01 August 2021
Mrs SF Mkhize	South African	Appointed 01 August 2021
Mr MGM Zikalala	South African	Appointed 01 August 2021

7. CHIEF EXECUTIVE OFFICER

The Chief Executive Officer of the entity is Ms PN Baloyi.

ACCOUNTING AUTHORITY'S REPORT

8. BOARD SECRETARY

The board secretary of the entity is Ms N Ntombela of:

Business address (Head Office - Pietermaritzburg)

KZNGBB House
Redlands Office Estate
1 George MacFarlane Drive
Pietermaritzburg
3201

Postal address

Private Bag X9102
Pietermaritzburg
3200

Ms N Ntombela was appointed as Board Secretary on 03 May 2022.

Mrs PJ Stretch acted as Board Secretary from 01 August 2021 until 02 May 2022.

Mrs S Meyiwa served as Board Secretary until her resignation on 31 July 2021.

9. AUDITORS

Auditor-General South Africa will continue in office for the next financial period.

The consolidated annual financial statements set out on pages 81 to 126, which have been prepared on the going concern basis, were approved by the accounting authority on 29 May 2023 and were signed on its behalf by:



Ms MP Myeni

Chairperson

Date: 31 July 2023



STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

	NOTE(S)	2023 R	2022 RESTATED* R
Assets			
Current Assets			
Receivables from exchange transactions	2	2 603 607	2 649 777
Cash and cash equivalents	3	71 822 561	75 758 502
		74 426 168	78 408 279
Non-Current Assets			
Property, plant and equipment	4	1 999 154	3 711 677
Intangible assets	5	108 733	496 118
		2 107 887	4 207 795
Total Assets		76 534 055	82 616 074
Liabilities			
Current Liabilities			
Operating lease liability	6	177 340	608 320
Payables from exchange transactions	7	39 773 517	39 276 377
Taxes and transfers payable (non-exchange)	8	235 300	102 857
Provisions	9	1 690 000	-
Tourvest lodge card	3	56 834	17 952
		41 932 991	40 005 506
Total Liabilities		41 932 991	40 005 506
Net Assets		34 601 064	42 610 568
Accumulated surplus	10	34 601 064	42 610 568
Total Net Assets		34 601 064	42 610 568

STATEMENT OF FINANCIAL PERFORMANCE

AS AT 31 MARCH 2023

	NOTE(S)	2023 R	2022 RESTATED* R
Revenue			
Revenue from exchange transactions			
Rendering of services	11	23 219 729	22 921 608
Interest received	11	5 807 781	3 173 925
Sundry income	11	337 808	638 873
Gain on disposal of assets	11	-	65 115
Total revenue from exchange transactions		29 365 318	26 799 521
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	12	50 674 713	51 462 364
Total revenue	11	80 040 031	78 261 885
Expenditure			
Employee related costs	14	64 744 824	62 405 418
Depreciation and amortisation	15	1 856 560	2 118 269
Lease rentals on operating lease	16	4 940 943	4 946 343
Bad debts written off		105 322	-
Loss on disposal of assets		288 792	-
General Expenses	17	15 062 805	14 451 669
Repairs and maintenance	18	2 478	5 630
Disbursements to beneficiaries	19	1 047 814	-
Total expenditure		88 049 538	83 927 329
Deficit for the year		(8 009 507)	(5 665 444)



STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2023

	Accumulated surplus / deficit	Total net assets
	R	R
Opening balance as previously reported	47 721 863	47 721 863
Prior year adjustments	554 149	554 149
Balance at 01 April 2021 as restated*	48 276 012	48 276 012
Changes in net assets		
Loss for the year	(5 665 444)	(5 665 444)
Total changes	(5 665 444)	(5 665 444)
Opening balance as previously reported	41 590 729	41 590 729
Adjustments		
Prior year adjustments 28	1 019 842	1 019 842
Balance at 01 April 2022 as restated*	42 610 571	42 610 571
Changes in net assets		
Loss for the year	(8 009 507)	(8 009 507)
Total changes	(8 009 507)	(8 009 507)
Balance at 31 March 2023	34 601 064	34 601 064

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

	NOTE(S)	2023 R	2022 RESTATE ^d * R
Cash flows from operating activities			
Receipts			
Sale of goods and services		23 734 725	22 889 590
Grants		50 674 713	51 462 364
Interest income		5 516 871	3 118 012
Other cash item		337 808	638 873
		80 264 117	78 108 839
Payments			
Employee costs		(63 054 824)	(65 212 878)
Suppliers		(21 138 672)	(21 002 280)
		(84 193 496)	(86 215 158)
Net cash flows from operating activities	22	(3 929 379)	(8 106 319)
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(75 348)	(1 536 069)
Proceeds from sale of property, plant and equipment	4	29 904	188 094
Net cash flows from investing activities		(45 444)	(1 347 975)
Net increase/(decrease) in cash and cash equivalents		(3 974 823)	(9 454 294)
Cash and cash equivalents at the beginning of the year		75 740 550	85 194 844
Cash and cash equivalents at the end of the year	3	71 765 727	75 740 550

The accounting policies on pages 88 to 99 and the notes on pages 100 to 126 form an integral part of the consolidated annual financial statements.



ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2023

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated annual financial statements are set out below.

1.1 BASIS OF PREPARATIONS

The consolidated annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with the Public Finance and Management Act, (Act 1 of 1999).

These consolidated annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these consolidated annual financial statements, are disclosed below.

1.2 GOING CONCERN ASSUMPTION

These consolidated annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 GOVERNMENT GRANTS

Grants received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant is conditional. The liabilities are transferred to revenue as and when the conditions are met. Grants without any conditions are recognised as revenue when the asset is recognised.

1.4 MATERIALITY

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.5 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statements. Significant judgements include:

PROVISION FOR DOUBTFUL DEBTS

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition. Refer to note 2.

ACCOUNTING POLICIES *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

1. SIGNIFICANT ACCOUNTING POLICIES *...continued*

1.5 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY *...continued*

CONTINGENCIES

Contingencies in the current year required estimated and judgements, refer to note 30.

1.6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried at fair value. For the purpose of the cash flow statements cash and cash equivalents comprise cash on hand and deposits held at call with banks.

1.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.



ACCOUNTING POLICIES *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

1. SIGNIFICANT ACCOUNTING POLICIES *...continued*

1.7 PROPERTY, PLANT AND EQUIPMENT *...continued*

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight-line	6 to 12 years
Motor vehicles	Straight-line	4 years
Office equipment	Straight-line	5 to 10 years
Computer equipment	Straight-line	3 to 6 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 18).

ACCOUNTING POLICIES *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

1. SIGNIFICANT ACCOUNTING POLICIES *...continued*

1.8 INTANGIBLE ASSETS

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.



ACCOUNTING POLICIES *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

1. SIGNIFICANT ACCOUNTING POLICIES *...continued*

1.8 INTANGIBLE ASSETS *...continued*

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, internally generated	Straight-line	3 years
Computer software, other	Straight-line	3 to 6 years
Intangible assets under development	Straight-line	no depreciation

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 FINANCIAL INSTRUMENTS

INITIAL RECOGNITION AND MEASUREMENT

Financial assets and liabilities are recognised when the entity becomes a party to the contractual provisions of the financial instrument.

Trade receivables are stated at amortised cost, net of estimates for irrecoverable amounts. These types of financial instruments arise out of the ordinary course of the entity's activities through charging customers for legislated fees as well as recovery of costs based on the work performed.

Trade payables are stated at amortised cost that is considered a reasonable approximation of the fair value thereof.

CREDIT RISK

Trade receivables are susceptible to credit risk, however this is adequately minimised as the charges are legislated and the course of recovery is adequately provided for in the legislation. There has been no substantial change in this risk from the previous period.

RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within consolidated annual financial statements. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against entity in surplus or deficit.

ACCOUNTING POLICIES *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

1. SIGNIFICANT ACCOUNTING POLICIES *...continued*

1.9 FINANCIAL INSTRUMENTS *...continued*

PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

LIQUIDITY RISK

The entity has sufficient funds and adequate funding sources to service its financial liabilities.

1.10 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

OPERATING LEASES - LESSOR

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis

Income for leases is disclosed under revenue in statement of financial performance.

OPERATING LEASES - LESSEE

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 IMPAIRMENT OF NON-CASH-GENERATING ASSETS

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.



ACCOUNTING POLICIES *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

1. SIGNIFICANT ACCOUNTING POLICIES *...continued*

1.11 IMPAIRMENT OF NON-CASH-GENERATING ASSETS *...continued*

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

VALUE IN USE

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

RECOGNITION AND MEASUREMENT

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

ACCOUNTING POLICIES *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

1. SIGNIFICANT ACCOUNTING POLICIES *...continued*

1.11 IMPAIRMENT OF NON-CASH-GENERATING ASSETS *...continued*

REVERSAL OF AN IMPAIRMENT LOSS

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

DEFINED CONTRIBUTION PLANS

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

POST RETIREMENT OBLIGATIONS

The entity operates a defined contribution provident fund, the assets of which are held in a separate trustee administered fund, to provide for these costs. All employees of the entity are entitled to membership of the plan, which is governed by the Pension Funds Act of 1956.

Contributions are based on a percentage of the payroll and charged to the statement of financial performance in the year to which they relate.

OTHER POST RETIREMENT OBLIGATIONS

The entity has no obligation to fund post retirement medical benefits.



ACCOUNTING POLICIES *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

1. SIGNIFICANT ACCOUNTING POLICIES *...continued*

1.13 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The entity recognises a provision for financial guarantees when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

ACCOUNTING POLICIES *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

1. SIGNIFICANT ACCOUNTING POLICIES *...continued*

1.14 COMMITMENTS

Items are classified as commitments when the Board has committed itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted capital commitments;
- where the capital expenditure has been approved and the contract has been awarded at reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.15 REVENUE

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

MEASUREMENT

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

RENDERING OF SERVICES

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

INTEREST

Interest income is accrued on a time proportion basis, taking into account the principal amount and the effective interest rate. Interest is recognised, in surplus or deficit, using the effective interest rate method.



ACCOUNTING POLICIES *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

1. SIGNIFICANT ACCOUNTING POLICIES *...continued*

1.16 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

MEASUREMENT

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.17 COMPARATIVE FIGURES

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year or to improve the readability and understanding of the financial statements.

1.18 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 IRREGULAR EXPENDITURE

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

ACCOUNTING POLICIES *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

1. SIGNIFICANT ACCOUNTING POLICIES *...continued*

1.20 RELATED PARTIES

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its consolidated annual financial statements.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

	2023 R	2022 R
2. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Trade debtors	966 068	49 459
Deposits	17 575	17 575
Prepaid expenses	920 370	742 531
Sundry debtors	83 626	227 948
Accrued income (refer to note 2.1)	615 968	1 612 264
	2 603 607	2 649 777
Trade and other receivables impaired		
As of 31 March 2023, trade and other receivables of R 138 920 (2022: R 11 483) were impaired and provided for.		
The amount of the provision was R 116 805 as of 31 March 2023 (2022: R 11 483).		
The ageing of these balances is as follows:		
Over 6 months	138 920	11 483
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	11 483	592 223
Provision for impairment	105 322	-
Amounts written off as uncollectible	-	(580 740)
	116 805	11 483

	Trade debtors R	Study assistance R	Sundry debtors R	Total R
Reconciliation of gross carrying amount and net carrying amount				
Gross carrying value	966 088	11 483	188 948	1 166 519
Less: Provision for doubtful debts	-	(11 483)	(105 322)	(116 805)
	966 088	-	83 626	1 049 714

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

	2023	2022
	R	R
2. RECEIVABLES FROM EXCHANGE TRANSACTIONS <i>...continued</i>		
2.1 ACCRUED INCOME		
Accrued income comprises:		
Recovery of expenditure	-	1 121 893
Interest receivable	615 968	325 057
Insurance proceeds	-	165 314
	615 968	1 612 264
3. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Cash on hand	1 621	3 086
Bank balances	56 184 757	60 022 326
Short-term deposits	15 636 183	15 733 090
Travel lodge card	(56 834)	(17 952)
	71 765 727	75 740 550
Current assets	71 822 561	75 758 502
Current liabilities (Travel lodge card)	(56 834)	(17 952)
	71 765 727	75 740 550

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	R	R	R	R	R	R
4. PROPERTY, PLANT AND EQUIPMENT						
Furniture and fixtures	429 368	(353 613)	75 755	437 868	(339 119)	98 749
Motor vehicles	65 000	(55 250)	9 750	65 000	(55 250)	9 750
Office equipment	250 526	(203 696)	46 830	252 560	(184 447)	68 113
Computer equipment	7 171 037	(5 304 218)	1 866 819	10 159 420	(6 624 355)	3 535 065
Total	7 915 931	(5 916 777)	1 999 154	10 914 848	(7 203 171)	3 711 677



NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

	Opening balance	Additions	Disposals	Depreciation	Total
	R	R	R	R	R
4. PROPERTY, PLANT AND EQUIPMENT					
<i>...continued</i>					
Reconciliation of property, plant and equipment - 2023					
Furniture and fixtures	98 749	-	(850)	(22 144)	75 755
Motor vehicles	9 750	-	-	-	9 750
Office equipment	68 113	11 789	(1 384)	(31 688)	46 830
Computer equipment	3 535 065	63 559	(316 462)	(1 415 343)	1 866 819
	3 711 677	75 348	(318 696)	(1 469 175)	1 999 154

	Opening balance	Additions	Disposals	Depreciation	Total
	R	R	R	R	R
Reconciliation of property, plant and equipment - 2022					
Furniture and fixtures	121 265	-	(375)	(22 141)	98 749
Motor vehicles	63 891	-	(54 141)	-	9 750
Office equipment	95 730	-	(1 496)	(26 121)	68 113
Computer equipment	3 239 438	1 536 069	(64 503)	(1 175 939)	3 535 065
	3 520 324	1 536 069	(120 515)	(1 224 201)	3 711 677

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

	2023			2022		
	Cost / Valuation R	Accumulated depreciation and accumulated impairment R	Carrying value R	Cost / Valuation R	Accumulated depreciation and accumulated impairment R	Carrying value R
5. INTANGIBLE ASSETS						
Computer software, developed	6 367 731	(6 256 536)	111 195	6 367 731	(5 915 141)	452 590
Computer software	845 490	(847 952)	(2 462)	1 495 766	(1 452 238)	43 528
Total	7 213 221	(7 104 488)	108 733	7 863 497	(7 367 379)	496 118

	Opening balance R	Amortisation R	Total R
Reconciliation of intangible assets - 2023			
Computer software, developed	452 590	(341 395)	111 195
Computer software	43 528	(45 990)	(2 462)
	496 118	(387 385)	108 733

	Opening balance R	Disposals R	Amortisation R	Total R
Reconciliation of intangible assets - 2022				
Computer software, developed	1 253 879	-	(801 289)	452 590
Computer software	138 772	(2 464)	(92 780)	43 528
	1 392 651	(2 464)	(894 069)	496 118



NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

	2023 R	2022 R
6. OPERATING LEASE LIABILITY		
Current liabilities	177 340	608 320
<p>The operating lease liability arises from the lease for the Pietermaritzburg and Durban offices. GRAP 13 requires the entity to account for or recognise equal lease rentals (average) over the duration of the lease. In the initial years a liability arises due to lease rentals being less than the average rental recognised, this situation reverses itself in the latter years of the lease.</p>		
7. PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade payables	373 007	28 760
Income received in advance	29 049 448	28 766 212
Cash guarantees received from licensees	2 878 544	2 707 457
Third party payments	947 110	930 133
Sundry creditors	81 687	82 047
Leave pay accrual	3 197 746	3 148 221
Accrued expenses (refer to note 7.1)	3 245 975	3 471 022
CSI & donations	-	142 525
	39 773 517	39 276 377
<p>Income received in advance relates to revenue received from licensees for services to be rendered by the entity, the majority of the balance comprises of annual licence fees for the next financial year.</p> <p>The cash guarantees received from licensees are security for any fees or penalties prescribed in terms of the KZN Gaming & Betting Act, as amended, taxes determined in terms of the KZN Gaming & Betting Tax Act, or any gambling debts payable by the licensee.</p> <p>Amounts due to third parties refer to payments to be made on behalf of employees to the provident fund, medical aid and other third parties.</p> <p>CSI & Donations relate to amounts received from pledges made by licensees to be used for projects aimed at Gender-based violence initiatives and CSI initiatives.</p>		
Maturity Analysis of Trade and other payables		
Liquidity risk		
Not later than a month	31 344 383	29 725 105
Later than a month and not later than three months	2 352 844	3 553 069
Later than three months and not later than a year	6 076 290	5 998 203
	39 773 517	39 276 377
<p>The entity has sufficient cash resources to meets the above obligations.</p>		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

	2023 R	2022 R
7. PAYABLES FROM EXCHANGE TRANSACTIONS <i>...continued</i>		
7.1 ACCRUED EXPENSES		
Breakdown of accrued expenses		
Capital expenditure	371 204	1 791 554
Current expenditure	1 899 953	1 679 468
Compensation related	974 818	-
	3 245 975	3 471 022
8. TAXES AND TRANSFERS PAYABLE (NON-EXCHANGE)		
Gambling tax payable	236 042	103 599
Statutory payables	(742)	(742)
	235 300	102 857

Gambling tax payable refers to taxes collected on behalf of the Province from all licensees in terms of the KZN Gaming and Betting Act. The amount represents taxes received in advance, amounts due to the Province or refunds due to licensees. [Refer to notes 23 and 33.]

	Opening Balance R	Additions R	Total R
9. PROVISIONS			
Reconciliation of provisions - 2023			
Provision for performance bonus	-	1 690 000	1 690 000

Provision for Performance Bonus

The Accounting Authority conditionally approved the payment of performance bonuses to qualifying employees conditional on budget achievement/availability. The final outcome will be reassessed after the completion of the financial statements and the outcome will be taken to the Board for a final decision, this is expected to occur in the first half of the upcoming financial year.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

	2023	2022
	R	R
10. ACCUMULATED SURPLUS		
Reconciliation of accumulated surplus		
2012 - Net assets acquired from erstwhile entities	25 081 668	25 081 668
2012 - Deficit realised	(4 176 104)	(4 176 104)
2013 - Surplus realised	6 941 425	6 941 425
2014 - Surplus realised	10 430 950	10 430 950
2014 - Prior year adjustments (2012)	1 244 954	1 244 954
2015 - Surplus realised	11 684 747	11 684 747
2015 - Amount surrendered to Provincial Revenue Fund	(20 800 000)	(20 800 000)
2015 - Prior year adjustments (2013)	(37 786)	(37 786)
2016 - Prior year adjustments (2014)	(72 805)	(72 805)
2016 - Surplus realised	4 460 584	4 460 584
2017 - Prior year adjustment	1 272 546	1 272 546
2017 - Surplus realised	9 192 753	9 192 753
2018 - Surplus realised	23 850 950	23 850 950
2019 - Prior year adjustment (2017)	(18 800)	(18 800)
2019 - Prior year adjustment (2018)	(11 000)	(11 000)
2019 - Loss for the year	(6 477 915)	(6 477 915)
2020 - Prior year adjustment (2019)	(708 000)	(708 000)
2020 - Loss for the year	(8 695 162)	(8 695 162)
2021 - Loss for the year	(2 204 147)	(2 204 147)
2021 - Surrender of funds	(3 237 000)	(3 237 000)
2022 - Prior year adjustment	554 155	554 155
2022 - Loss for the year	(5 665 444)	(5 665 444)
2023 - Loss for the year	(8 009 507)	-
Rounding	2	2
	34 601 064	42 610 571
Ring-fenced internal funds and reserves within accumulated surplus		
Building investment		
Opening balance	13 105 991	17 196 583
Interest earned on funds	-	829 119
Amounts spent on lease rentals	(5 193 457)	(4 919 711)
	7 912 534	13 105 991

The above funds have been ring-fenced within accumulated reserves for the purpose of acquiring suitable office accommodation for the entity. During the 2018 year Provincial Treasury returned the R20 million that was previously surrendered. The funds are invested by the entity until such time as they are required (refer to note 3). The interest earned on these retained amounts forms part of the amount disclosed in the statement of financial performance (refer to note 13). The entity utilises the funds to pay the lease rentals for the Durban and Pietermaritzburg offices.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

	2023 R	2022 R
11. REVENUE		
Rendering of services	23 219 729	22 921 608
Interest income	5 807 781	3 173 925
Sundry income	337 808	638 873
Gain on disposal of movable assets	-	65 115
Government grants & subsidies	50 674 713	51 462 364
	80 040 031	78 261 885
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	23 219 729	22 921 608
Interest income	5 807 781	3 173 925
Sundry income	337 808	638 873
Gain on disposal of movable assets	-	65 115
	29 365 318	26 799 521
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Government grants & subsidies	50 674 713	51 462 364
12. GOVERNMENT GRANTS & SUBSIDIES		
Operating grants		
Equitable share	50 552 000	51 361 000
Training levy subsidy	122 713	101 364
	50 674 713	51 462 364
13. INVESTMENT REVENUE		
Interest revenue		
Interest received - entity	5 754 352	3 109 421
Interest received - Transformation Fund	53 429	64 504
	5 807 781	3 173 925



NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

	2023 R	2022 R
14. EMPLOYEE RELATED COSTS		
Basic remuneration	55 000 477	52 294 987
Performance bonus	1 716 773	1 473 104
Medical aid subsidy	3 332 903	3 113 441
Unemployment insurance	162 816	160 466
Leave pay accrual	49 526	448 724
Long-service awards	168 000	72 000
Acting allowances	819 249	1 332 233
Cell phone allowance	352 814	347 060
Provident fund costs and risk benefits	2 049 788	1 900 828
Reallocation Allowance	-	75 545
Interns - stipends	1 030 991	1 129 100
Leave payout	61 487	57 930
	64 744 824	62 405 418

	Basic remuneration R	Allowances & Long service awards R	Contributions R	Performance rewards R	Total R
Senior Management Remuneration					
For year ended 31 March 2023					
Ms. PN Baloyi Chief Executive Officer	2 353 269	73 562	274 991	-	2 701 822
Mr. RS Goodayle (N1) Acting Senior Manager - Business Development	1 372 750	91 074	166 914	-	1 630 738
Mrs. PJ Stretch Head - Governance Risk & Compliance	1 378 561	89 074	161 092	-	1 628 727
Mr. V Ramdas Chief Financial Officer	1 576 557	84 074	211 409	-	1 872 040
Mr. RC Bestel Senior Manager - Betting Monitoring & Compliance	1 338 540	79 074	200 781	-	1 618 395
Mr. M Ngwenya Chief Legal Officer	1 338 540	79 074	200 781	-	1 618 395
Mr. T Ngubane (N3) Acting Senior Manager - Licensing & Registration	1 386 929	74 274	101 093	-	1 562 296
Mr B Mngoma Chief Operating Officer	1 565 187	83 588	195 648	-	1 844 423
	12 310 333	653 794	1 512 709	-	14 476 836

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

	Basic remuneration R	Allowances & Long service awards R	Contributions R	Performance rewards R	Total R
14. EMPLOYEE RELATED COSTS <i>...continued</i>					
Senior Management Remuneration <i>...continued</i>					
For the year ended 31 March 2022					
Ms. PN Baloyi Chief Executive Officer	2 317 843	43 878	270 917	75 962	2 708 600
Mr. RS Goodayle (N1) Acting Senior Manager - Business Development	1 352 098	67 878	164 444	103 776	1 688 196
Mrs. PJ Stretch Head - Governance Risk & Compliance	1 357 835	55 878	158 708	59 184	1 631 605
Mr. V Ramdas Chief Financial Officer	1 552 768	55 878	208 277	86 123	1 903 046
Mr. RC Bestel Senior Manager - Betting Monitoring & Control	1 318 732	55 878	197 810	59 184	1 631 604
Mr. M Ngwenya Chief Legal Officer	1 318 732	55 878	197 810	-	1 572 420
Mr. I Mncube (N2) Acting Senior Manager - Gaming Monitoring & Compliance	337 141	13 650	24 558	-	375 349
Mr. T Ngubane (N3) Acting Senior Manager - Licensing & Registration	1 378 520	51 078	99 718	27 717	1 557 033
Mr M Sabelo (N4) Acting Senior Manager - Gaming Monitoring & Compliance	726 372	27 939	50 168	51 956	856 435
Mr T Zungu (N5) Acting Chief Legal Officer	429 948	17 026	31 497	-	478 471
Mr B Mngoma Chief Operating Officer	827 456	23 881	103 432	-	954 769
	12 917 445	468 842	1 507 339	463 902	15 357 528

N1 - Mr Goodayle was appointed as Acting Senior Manager - Business Development w.e.f. 01 January 2020.

N2 - Mr Mncube was appointed as Acting Senior Manager - Gaming Monitoring & Compliance from 01 February 2021 to 31 March 2021.

N3 - Mr Ngubane was appointed as Acting Senior Manager - Licensing & Registration w.e.f. 08 October 2018.

N4 - Mr Sabelo was appointed as Acting Senior Manager - Gaming Monitoring & Compliance from 01 July 2020 to 31 January 2021.

N5 - Mr Zungu was appointed to act as Acting Chief Legal Officer from 01 May 2021 to 30 June 2021 and from 01 February 2022 to 31 March 2022.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

	2023	2022
	R	R
15. DEPRECIATION AND AMORTISATION		
Movable assets (refer to note 4)	1 469 175	1 224 201
Intangible assets (refer to note 5)	387 385	894 068
	1 856 560	2 118 269
16. LEASE RENTALS ON OPERATING LEASE		
Premises		
Contractual amounts	4 762 477	4 638 977
Equipment		
Contractual amounts	178 466	307 366
	4 940 943	4 946 343
17. GENERAL EXPENSES		
Advertising	20 629	66 177
Auditors remuneration	916 871	931 239
Bank charges	63 164	58 534
Board remuneration (refer to note 20)	2 828 949	2 773 132
Cleaning	91 554	146 024
Computer expenses	594 656	113 202
Consulting and professional fees	13 324	511 164
Courier and postage	2 133	841
Electricity	658 072	499 559
External meeting refreshments	52 562	3 163
Fleet	32 144	96 420
Illegal gambling operations	45 330	980
Insurance	541 616	525 726
Internal audit	595 866	100 579
Legal expenses - deductible	1 094 583	1 202 780
Levies (statutory)	620 896	651 278
Licensing, investigation and monitoring costs	413 537	578 361
Marketing	1 131 449	459 741
Office set-up and restoration costs	-	172 914
Printing and stationery	159 702	177 371
Probity checks	839	22 322
Software licenses and support	2 345 388	2 693 840
Staff placement costs	-	34 883
Staff welfare	106 105	138 731
Subscriptions and membership fees	4 740	4 579
Telephone and fax	899 487	1 072 495
Temp employees	-	2 644
Training	383 325	572 144
Travel - local	1 333 480	829 096
Travel - overseas	112 404	-
Venue expenses	-	11 750
	15 062 805	14 451 669

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

	2023	2022
	R	R

18. REPAIRS AND MAINTENANCE

Office buildings	2 478	5 630
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Repairs and maintenance costs relating to motor vehicles are disclosed with fleet expenses. Repairs and maintenance costs relating to computer equipment are disclosed under computer expenses. Refer to note 17.

19. DISBURSEMENTS TO BENEFICIARIES

Disbursements to beneficiaries	1 047 814	-
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The Transformation Fund was established in terms of Section 137 of the KwaZulu-Natal Gaming & Betting Act, Act no 8 of 2010, as amended.

The purpose of the Fund is to promote opportunities for persons contemplated in the definition of “broad-based black economic empowerment”, as contained in the B-BBEE Act, to participate in the horse racing and betting industries in the capacity of any of the persons required to be licensed or registered, to increase the ownership stakes of said persons in the said industries and to develop appreciation for and knowledge of horse racing amongst all communities, particularly those comprising of said persons.

During the year under review, the fund awarded grants to successful applicants with the intention of growing the economy, creating jobs and developing skills. These awards were made in line with the approved terms of reference of the fund.

Details of beneficiaries		
South African Grooms Association	100 000	-
Blac Distinxion	140 000	-
South African Bookmakers Association	197 704	-
Traditional Horse Racing & Breeding	156 900	-
Ithotho Empowerment (Pty) Ltd	199 720	-
Traditional Horse Racing & Breeding	100 000	-
Coastal Horse Care Unit	153 490	-
	1 047 814	-



NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

	Members' fees R	Reimbursive expenses R	Total R
20. BOARD REMUNERATION			
Non-executive			
2023			
Dr SG Ngcobo	159 047	-	159 047
Ms MP Myeni	364 456	1 606	366 062
Adv KP Thango	281 908	10 496	292 404
Mr LS Gabela	422 579	25 952	448 531
Prof. BS Stobie	356 068	2 076	358 144
Mrs N Maharaj	266 063	1 668	267 731
Mrs CN Mhlongo	235 486	4 989	240 475
Mrs SF Mkhize	323 343	-	323 343
Mr MGM Zikalala	369 104	4 108	373 212
	2 778 054	50 895	2 828 949

	Members' fees R	Reimbursive expenses R	Total R
2022			
Dr SG Ngcobo	269 297	-	269 297
Ms MP Myeni	406 435	-	406 435
Adv KP Thango	388 494	-	388 494
Mr LS Gabela	438 330	2 166	440 496
Dr TI Nzimakwe	104 926	-	104 926
Prof. BS Stobie	384 654	649	385 303
Mr SN Chetty	74 242	-	74 242
Mrs N Maharaj	147 779	-	147 779
Mrs CN Mhlongo	129 968	1 353	131 321
Mrs SF Mkhize	218 261	-	218 261
Mr MGM Zikalala	206 578	-	206 578
	2 768 964	4 168	2 773 132

	2023 R	2022 R
21. AUDITORS' REMUNERATION		
Fees	916 871	931 239

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

	2023 R	2022 R
22. CASH USED IN OPERATIONS		
Deficit	(8 009 507)	(5 665 444)
Adjustments for:		
Depreciation and amortisation	1 856 560	2 118 269
Gain (loss) on sale of assets and liabilities	288 792	(65 115)
Bad debts written off	105 322	-
Movements in operating lease liability	(430 980)	(280 743)
Movements in provisions	1 690 000	-
Changes in working capital:		
Receivables from exchange transactions	(59 153)	246 224
Payables from exchange transactions	497 144	(4 446 047)
Taxes and transfers payable (non-exchange)	132 443	(13 463)
	(3 929 379)	(8 106 319)
23. RELATED PARTIES		
RELATIONSHIPS		
Members	Related party transactions with Board Members is limited to the remuneration paid to members as disclosed in the AFS. There were no other related party transaction to disclose. Refer to members' report note 20	
Ultimate controlling entity	KwaZulu-Natal Provincial Legislature	
Executive Authority	MEC of EDTEA	
Controlling entity	Department of EDTEA	
Entities controlled by the same controlling Department	The KZNGBB is one of a number of public entities under the control of the Department of EDTEA. The complete list of related entities can be found on the Department's website: www.kznedtea.gov.za .	
Controlled entities	Transformation Fund	
Senior Management	Related party transactions with Senior Management is limited to the remuneration paid to management as disclosed in the AFS. There were no other related party transaction to disclose. Refer to note 14	
Related party transactions		
Collection of gambling taxes on behalf of the Province		
Department of EDTEA	773 352 178	665 694 448
Grants received		
Department of EDTEA	50 552 000	51 361 000
KZN Liquor Authority (balance included under trade receivables)		
Secondment of an employee - employee costs	954 568	1 532 917
Strategic planning facilitator - shared costs	167 325	167 325
Less: Amounts written off	-	(578 349)
Repayments received	(167 325)	-
	954 568	1 121 893



NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

23. RELATED PARTIES *...continued*

Key management information

Class	Description	Number
Non-executive board members	Governance oversight body	9
Executive board members	Chief Executive Officer	1
Executive management	Policy Management	6

	2023	2022
	R	R

24. TAXATION

The entity is exempted from the payment of income tax.

25. EMPLOYEE BENEFIT OBLIGATIONS

Defined contribution plan

It is the policy of the entity to provide retirement benefits to all its employees. A defined contribution provident fund, which is subject to the Pensions Fund Act, exist for this purpose.

The entity is under no obligation to cover any unfunded benefits.

The amount recognised as an expense for defined contribution plans is

8 126 881

7 804 492

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

	At amortised cost R	Total R
26. FINANCIAL INSTRUMENTS DISCLOSURE		
Categories of financial instruments		
2023		
Financial assets		
Trade and other receivables from exchange transactions	2 603 607	2 603 607
Cash and cash equivalents	71 822 561	71 822 561
	74 426 168	74 426 168
Financial liabilities		
Trade and other payables from exchange transactions	39 773 517	39 773 517
Taxes and transfers payable (non-exchange)	235 300	235 300
Bank overdraft	56 834	56 834
	40 065 651	40 065 651

	At amortised cost R	Total R
2022		
Financial assets		
Trade and other receivables from exchange transactions	2 649 777	2 649 777
Cash and cash equivalents	75 758 502	75 758 502
	78 408 279	78 408 279
Financial liabilities		
Trade and other payables from exchange transactions	39 276 377	39 276 377
Taxes and transfers payable (non-exchange)	102 857	102 857
Bank overdraft	17 952	17 952
	39 397 186	39 397 186

	2023 R	2022 R
27. COMPARATIVE FIGURES		

Certain comparative figures have changed as a result of rounding to balance the financial statements.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

	2023 R	2022 R
28. PRIOR PERIOD ERRORS		
<u>Prior period error 1: Supplier invoices duplicated</u>		
Supplier invoices amounting to R138 990 was duplicated in the prior year due to a capturing error. This resulted in expenditure and accounts payable being overstated by the amount.		
<u>Prior period error 2: Income not recognised</u>		
During the current year it was identified that certain amounts for application fees and/or investigation fees were not duly invoiced. As a result revenue was not recognised and the amounts were reflected as a liability under income in advance in the prior year financial statements. The correction of the error has resulted in R326 703 being recognised as revenue in the 2021/22 period and R554 149 being recognised against accumulated surplus for the prior periods. Income in advance reduced by the same amounts. Cash receipts and Cash Payments per the Cash Flow Statement reduced by R554 149.		
<u>Prior period error 3: Cash flow from operating activities</u>		
Cash flow workings During the prior year, the change in interest accrued of R54 728 was deducted from <i>Sale of goods and services</i> instead of being deducted from Interest income, with the result that the former is understated and the latter is overstated. The error had no impact on the statement of financial performance and statement of financial position.		
The correction of the error(s) results in adjustments as follows:		
Statement of financial position		
Payables from exchange transactions	-	138 990
Income in advance	-	880 852
Opening Accumulated Surplus or Deficit	-	(554 149)
Statement of financial performance		
General expenses	-	(138 990)
Revenue from rendering of services	-	(326 703)
Cash flow statement		
Cash flow from operating activities		
Receipts	-	(554 149)
Payments	-	554 149
	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

	2023 R	2022 R
29. COMMITMENTS		
Authorised operational expenditure		
Already contracted for but not provided for		
• Distribution to beneficiaries	100 000	-
Total operational commitments		
Already contracted for but not provided for	100 000	-
Operating leases - as lessee (expense)		
Minimum lease payments due		
• within one year	2 434 951	4 325 892
• in second to fifth year inclusive	-	1 425 894
	2 434 951	5 751 786

Operating lease payments represent rentals payable by the entity for certain of its equipment and for the leasing of office space in Pietermaritzburg and Durban.

30. CONTINGENCIES

- The Peoples Forum Against EBT's vs KZNGBB - The applicant is seeking to set aside the Board's decision with regards to the installation of EBT's. The Board is opposing the matter and as such could be liable for costs if an award is made against it. The matter is dormant, but has not been withdrawn. In the absence of settlement, the legal representatives of the Board are confident that its defence will be successful. At this stage it is not possible to reasonably quantify the costs should such an order be made against the Board. The estimated costs for counsel in the matter is R50 000.
- Afrisun vs KZNGBB and 22 Others - the applicant brought an application in terms of PAJA seeking to set aside the Board's decision to approve applications for the renewal of Bingo licenses. The Board is opposing the matter. The matter is dormant, but has not been withdrawn. In the absence of settlement, the legal representatives of the Board are confident that its defence will be successful. However, a cost order is sought against Board if its defence is unsuccessful. At this stage it is not possible to reasonably quantify the costs should such an order be made against the Board. The estimated costs for counsel is R1 million to continue the defence of the matter.
- Afrisun vs MEC for Finance & KZNGBB - The licensee has brought an application seeking to have its "freeplay" credits excluded from the calculation of their gambling tax liability. If successful, the licensee is seeking to be reimbursed for approximately R80.5 million in overpaid taxes. The matter is being defended by the MEC of Finance and supported by the Board. The costs of council to defend the matter will be shared by the Board and KZN Treasury. If the Board and MEC are successful then the Board's liability will be half of the costs incurred in defending the matter, which is anticipated as being R500,000. If the Board and the MEC are unsuccessful then at worst the Board and the MEC will be liable for the aforesaid R80,5 million plus Afrisun's costs.
- Three (3) Employees vs KwaZulu-Natal Gaming and Betting Board - This is a labour matter where certain employees have taken the entity to court regarding their remuneration and unfair labour practices. The matter is being defended. At this stage it is not possible to reasonably quantify the costs should an order be made against the Board. The anticipated costs for counsel is R200 000 to defend the matter.
- A contingent liability exists with regards to potential surrender of surplus funds accumulated by the entity. The entity has, in the past, applied for and been granted approval for the retention of surplus funds to be used for the operations and specific projects. During the previous year the entity was instructed by the Provincial Treasury to surrender an amount to assist fund Government's emergency relief package. This was a once off event and it is not expected that the entity will be required to surrender any further amounts at this point in time. However should the request be denied or the situation changes, then a contingent liability does exist of approximately R34 million, being the reserve amount of the KZNGBB.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

	2023 R	2022 R
31. FRUITLESS AND WASTEFUL EXPENDITURE		
Add: Fruitless and wasteful expenditure identified - current - 699		
There was no fruitless and wasteful expenditure recognised in the current year.		
Details of fruitless and wasteful expenditure	Disciplinary steps taken/criminal proceedings	
Interest on late payment of Telkom invoice		Letter of warning issued to employees
32. IRREGULAR EXPENDITURE		
There was no irregular expenditure identified during the current and previous financial years.		
33. ACCOUNTING BY PRINCIPALS AND AGENTS		
The entity is a party to a principal-agent arrangement.		
Details of the arrangement is as follows:		
The KZN Provincial Treasury has appointed the KwaZulu-Natal Gaming & Betting Board to assist with the collection and distribution of gambling taxes as contemplated in section 77 of the KwaZulu-Natal Gaming & Betting Act. Licensees submit their tax returns to the entity and also pay the tax due. Amounts due to the Provincial Revenue Fund are paid to the entity first and thereafter distributed to beneficiaries. The entity confirms these amounts before consolidating same and distributing the taxes to beneficiaries. The entity is also responsible for managing any refund due or overpayment made by a licensee, this is done by either an offset against future tax payable or a refund payment. Refer to notes 8 & 23 for values relating to this arrangement.		
Entity as agent		
Resources held on behalf of the principal(s), but recognised in the entity's own financial statements		
Refer to note 8 for the balance of taxes to be distributed/refunded on behalf of the Provincial Treasury.		
No risks have been transferred to the entity.		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

	2023 R	2022 R
33. ACCOUNTING BY PRINCIPALS AND AGENTS		
<i>...continued</i>		
Additional information		
Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)		
Reconciliation of the carrying amount of payables		
Gambling Taxes		
Opening balance	103 599	116 854
Amounts received / collected on behalf of principal	773 484 620	665 681 193
Amounts disbursed on behalf of the principal	(61 639 342)	(67 965 650)
Amounts paid to the principal	(711 712 835)	(597 728 798)
	236 042	103 599
The closing balance represents amounts collected in advance or refunds due to licensees.		
All categories		
Opening balance	103 599	116 854
Expenses incurred on behalf of the principal	773 484 620	665 681 193
Cash paid on behalf of the principal	(61 639 342)	(67 965 650)
Amounts transferred to the principal	(711 712 835)	(597 728 798)
	236 042	103 599

34. RISK MANAGEMENT

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and funding agreements

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates the credit risk relating to customers on an ongoing basis. Customers are assessed by the entity to determine the credit quality of the customer, taking into account its financial position, past experience and other factors. Credit risk is reduced by requiring upfront payments for all services to be rendered to customers. The entity also has guarantees in place to reduce the risk of default.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

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35. GOING CONCERN

We draw attention to the fact that at 31 March 2023, the entity had an accumulated surplus of R 34 601 064 and that the entity's total assets exceed its liabilities by R 34 601 064.

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

In June 2020, the Provincial Legislature took a decision that the operations of the KwaZulu-Natal Gaming & Betting Board and the KwaZulu-Natal Liquor Authority should be rationalised. Preparations have commenced to give effect to the resolution under the guidance of the Department of EDTEA. As part of the process, new legislation must be drafted to give effect to the decision. At this stage these legislative amendments have not been promulgated and as such the operations of the entity are expected to continue for the next 12 months. Furthermore, the transitional arrangements proposed in the revised legislation, will result in the transfer of the entire operations of the entity to the new entity, therefore the realisation of assets and settlement of liabilities, contingent obligations and commitments is expected to occur in the ordinary course of business i.e. there is no need to reassess the carrying values of assets and liabilities.

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these are that the Department of EDTEA continues to provide funding for the ongoing operations of the entity and that approval is granted to retain accumulated surpluses. The entity will cease to be a going concern if the Department of EDTEA or the KZN Treasury does not approve the retention of accumulated surpluses.

For the 2023/24 financial year the Department has committed R52.776 million towards funding the entity. This amount coupled with own revenue collections of approximately R24 million and reserves of R34 million (should they be approve) will be more than sufficient to cover the operating expenditure of the entity for the forthcoming year. The entity remains a key revenue source for the Province and there is no indication by the Department of EDTEA or the Legislature to stop its operations.

36. BBBEE PERFORMANCE

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

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37. NEW STANDARDS AND INTERPRETATIONS

37.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2023 or later periods:

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of these amendments are 01 April 2023.

The entity expects to adopt the revisions for the first time in the 2023/2024 consolidated annual financial statements.

It is unlikely that the revisions will have a material impact on the entity's consolidated annual financial statements.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

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37. NEW STANDARDS AND INTERPRETATIONS *...continued*

37.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE *...CONTINUED*

iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

The effective date of these revisions have not yet been set. 01 April 2023.

The entity expects to adopt the revisions for the first time in the 2023/2024 01 April 2023.

It is unlikely that the revisions will have a material impact on the entity's consolidated annual financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

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37. NEW STANDARDS AND INTERPRETATIONS *...continued*

37.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE *...continued*

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

Even though no date has been set for the amendments, the adoption of the amendments is encouraged to be used by entities.

It is unlikely that the standard will have a material impact on the entity's consolidated annual financial statements.

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is not yet set by the Minister of Finance.

The entity expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

It is unlikely that the standard will have a material impact on the entity's consolidated annual financial statements.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

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37. NEW STANDARDS AND INTERPRETATIONS *...continued*

37.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE *...continued*

iGRAP 21: The Effect of Past Decisions on Materiality

Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called "items").

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially "misstated" over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

iGRAP 21 addresses the following two issues:

- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation have been set as 01 April 2023.

The entity expects to adopt the interpretation for the first time in the 2023/2024 01 April 2023.

It is unlikely that the interpretation will have a material impact on the entity's consolidated annual financial statements.

GRAP 2020: Improvements to the standards of GRAP 2020

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters.

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP.

Amendments include,

GRAP 5 – Borrowing Costs

- For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate
 - Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete.

GRAP 13 – Leases

- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
- Clarify that these arrangements may also be assessed in accordance with GRAP 21.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

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37. NEW STANDARDS AND INTERPRETATIONS *...continued*

37.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE *...continued*

GRAP 16 – Investment Property

- Clarify that GRAP 21 may be applied to assess investment property for impairment
- Include heading “Classification of property as investment property” (par 6 and 7) & delete existing headings
- Investment property under construction (within scope of GRAP 16)
 - Added heading “Guidance on initially measuring self-constructed investment property at fair value”
 - Added clarification that investment property is measured at fair value at earliest of:
 - completion of construction or development; or
 - when fair value becomes reliably measurable
- Clarify requirements on transfers to and from Investment property
 - Change in use involves an assessment on whether:
 - property meets, or ceases to meet definition of investment property and
 - evidence exists that a change in use has occurred
- List of examples of a change in use is regarded as non-exhaustive

GRAP 17 – Property, Plant and Equipment

- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances
 - Land has an unlimited useful life and cannot be consumed through its use

GRAP 20 – Related Party Disclosures

- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party
 - Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity
 - If an entity obtains management services from another entity (“the management entity”) the entity is not required to apply the requirements in paragraph 35 to the remuneration paid or payable by the management entity to the management entity’s employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
 - Management services are services where employees of management entity perform functions as “management” as defined

GRAP 24 – Presentation of Budget Information in Financial Statements

- Terminology amended
 - Primary financial statements amended to “financial statements” or “face of the financial statements”

GRAP 31 – Intangible Assets

- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired
 - Both under cost model or revaluation model

GRAP 32 – Service Concession Arrangements: Grantor

- Clarify disclosure requirement for service concession assets
 - Disclose carrying amount of each material service concession asset recognised at the reporting date

GRAP 37 – Joint Arrangements

- Application guidance clarified
 - When party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previous held interest in joint operation is not remeasured



NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

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37. NEW STANDARDS AND INTERPRETATIONS *...continued*

37.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE *...continued*

GRAP 106 – Transfer of Functions Between Entities Not Under Common Control

- When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages
 - Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation

Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within scope of Directive

The effective date of these improvements is 01 April 2023.

The entity expects to adopt the improvements for the first time in the 2023/2024 consolidated annual financial statements.

It is unlikely that the improvements will have a material impact on the entity's consolidated annual financial statements.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An entity applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2025.

The entity expects to adopt the amendment for the first time in the 2025/2026 consolidated annual financial statements.

It is unlikely that the amendment will have a material impact on the entity's consolidated annual financial statements.



PART F:

TRANSFORMATION FUND

Formerly Horse Racing & Betting Transformation Fund

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2023



INDEX

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Members' Responsibilities and Approval	129
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MEMBERS' RESPONSIBILITIES AND APPROVAL

The members are required by the KwaZulu-Natal Gaming & Betting Act, Act 08 of 2010, as amended, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the annual financial statements fairly present the state of affairs of the fund as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The members acknowledge that they are ultimately responsible for the system of internal financial control established by the fund and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the members sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the fund and all employees are required to maintain the highest ethical standards in ensuring the fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the fund is on identifying, assessing, managing and monitoring all known forms of risk across the fund. While operating risks cannot be fully eliminated, the fund endeavours to minimise them by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The annual financial statements are prepared on the basis that the fund is a going concern and that the fund has neither the intention nor the need to liquidate or curtail materially the scale of the fund.

Although the members are primarily responsible for the financial affairs of the fund, they are supported by the fund's external auditors.

The external auditors are responsible for providing reasonable assurance on the fund's annual financial statements. The annual financial statements have been examined by the fund's external auditors and their report is presented on pages 130 and 131.

The annual financial statements set out on pages 134 to 145, which have been prepared on the going concern basis, were approved by the members on 29 May 2023 and were signed on its behalf by:



Ms MP Myeni

Chairperson

Date: 31 July 2023



REPORT OF THE AUDITOR-GENERAL TO THE PROVINCIAL LEGISLATURE ON THE TRANSFORMATION FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

1. I have audited the financial statements of the Transformation Fund set out on pages 134 to 145, which comprise the statement of financial position as at 31 March 2023, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Transformation Fund as at 31 March 2023, and their financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).
3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the group in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

6. The board, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this Auditor's Report.

REPORT OF THE AUDITOR-GENERAL TO THE PROVINCIAL LEGISLATURE ON THE TRANSFORMATION FUND *...continued*

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

As the Fund was dormant for the year under review, no work was performed on the audit of performance information.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

10. As the Fund was dormant for the year under review, no work was performed to test compliance with key legislation.

INTERNAL CONTROL DEFICIENCIES

11. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

Auditor General.

Pietermaritzburg

31 July 2023



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

PROFESSIONAL JUDGEMENT AND PROFESSIONAL SCEPTICISM

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programmes and on the entity's compliance with selected requirements in key legislation.

FINANCIAL STATEMENTS

2. In addition to my responsibility for the audit of the financial statements as described in this Auditor's Report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit 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
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
 - conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my Auditor's Report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this Auditor's Report. However, future events or conditions may cause a entity to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

ANNEXURE TO THE AUDITOR'S REPORT ...continued

COMPLIANCE WITH LEGISLATION – SELECTED LEGISLATIVE REQUIREMENTS

5. The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act No.1 of 1999 (PFMA)	Section 51(1)(a)(iv); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii) Section 53(4) Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 56(1); 56(2) Section 57(b);
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Regulation 8.2.1; 8.2.2 Regulation 16A 3.2; 16A 3.2(a); 16A 6.1; 16A6.2(a) & (b); 16A 6.3(a); 16A 6.3(a)(i); 16A 6.3(b); 16A 6.3(c); 16A 6.3(e); 16A 6.4; 16A 6.5; 16A 6.6; 16A 8.3; 16A 8.4; 16A9.1(b)(ii); 16A 9.1(d); 16A 9.1(e); 16A9.1(f); 16A 9.2(a)(ii) Regulation 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1 Regulation 31.1.2(c); Regulation 33.1.1; 33.1.3
Public service regulation	Public service regulation 13(c); 18; 18 (1) and (2);
PRECCA	Section 29; 34(1)
CIDB Act	Section 18(1)
CIDB Regulations	CIDB regulation 17; 25(1); 25 (5) & 25(7A)
PPPFA	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
PPR 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 10.1; 10.2 Paragraph 11.1; 11.2 Paragraph 12.1 and 12.2
PPR 2022	Paragraph 3.1 Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
PFMA SCM Instruction no. 09 of 2022/2023	Paragraph 3.1; 3.3 (b); 3.3 (c); 3.3 (e); 3.6
National Treasury Instruction No.1 of 2015/16	Paragraph 3.1; 4.1; 4.2
NT SCM Instruction Note 03 2021/22	Paragraph 4.1; 4.2 (b); 4.3; 4.4; 4.4 (a); 4.4(c); 4.4(d); 4.6 Paragraph 5.4 Paragraph 7.2; 7.6
NT SCM Instruction 4A of 2016/17	Paragraph 6
NT SCM Instruction Note 03 2019/20	Paragraph 5.5.1(vi); 5.5.1(x)
NT SCM Instruction Note 11 2020/21	Paragraph 3.1; Paragraph 3.4(a); 3.4(b) Paragraph 3.9 Paragraph 6.1; 6.2; 6.7
NT SCM Instruction note 2 of 2021/22	Paragraph 3.2.1; 3.2.2; 3.2.4(a); 3.2.4(b); 3.3.1; Paragraph 4.1
PFMA SCM Instruction 04 of 2022/23	Paragraph 4(1) Paragraph 4(2) Paragraph 4(4)
Practice Note 5 of 2009/10	Paragraph 3.3
PFMA SCM instruction 08 of 2022/23	Paragraph 3.2 Paragraph 4.3.2; 4.3.3
Competition Act	Section 4(1)(b)(ii)
NT instruction note 4 of 2015/16	Paragraph 3.4
NT instruction 3 of 2019/20 - Annexure A	Section 5.5.1 (iv) and (x)
Second amendment of NTI 05 of 2020/21	Paragraph 4.8; 4.9; 5.1; 5.3
Erratum NTI 5 of 202/21	Paragraph 1
Erratum NTI 5 of 202/21	Paragraph 2
Practice note 7 of 2009/10	Paragraph 4.1.2
Practice note 11 of 2008/9	Paragraph 3.1 Paragraph 3.1 (b)
NT instruction note 1 of 2021/22	Paragraph 4.1
Public Service Act	Section 30 (1)



MEMBERS' REPORT

The members submit their report for the year ended 31 March 2023.

1. INCORPORATION

The fund was established on 01 April 2011 in terms of the KwaZulu-Natal Gaming and Betting Act, Act 8 of 2010, as amended.

The assets of the erstwhile Sports Trust was transferred to the Transformation Fund in terms section 137(2) of the KwaZulu-Natal Gaming and Betting Act, Act 8 of 2010, as amended.

2. REVIEW OF ACTIVITIES

MAIN BUSINESS AND OPERATIONS

To promote opportunities and increase the ownership stakes of persons contemplated in the definition of "broad-based black economic empowerment" as contained in the Broad-Based Black Economic Empowerment Act, (Act 53 of 2003) to participate in the gambling industry.

During the year under review, the Transformation Fund Committee considered and approved applications for funding. The Fund made its first disbursements to beneficiaries in May 2022. For the year more than R1 million was disbursed in support of projects seeking to transform the economy, create jobs and enhance skills. A further R100 000 has been committed towards projects based on the achievement of milestones.

The operating results and state of affairs of the fund are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the fund was R 994 385 (2022: surplus R 64 504).

3. GOING CONCERN

We draw attention to the fact that at 31 March 2023, the fund had an accumulated surplus of R 626 437 and that the fund's total assets exceed its liabilities by R 626 437.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. SUBSEQUENT EVENTS

The members are not aware of any matter or circumstance arising since the end of the financial year.

5. ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with the prescribed Standards GRAP issued by the Accounting Standards Board as the prescribed framework by National Treasury.

MEMBERS' REPORT

6. MEMBERS

6.1 ACCOUNTING AUTHORITY

The members of the fund during the year and to the date of this report are as follows:

Name	Nationality	Changes
Dr SG Ngcobo	South African	Resigned 29 November 2022
Ms MP Myeni	South African	
Adv KP Thango	South African	Resigned 11 January 2023
Mr LS Gabela	South African	
Dr TI Nzimakwe	South African	Term ended 31 July 2021
Prof BS Stobie	South African	
Mr SN Chetty	South African	Term ended 31 July 2021
Mr MGM Zikalala	South African	Appointed 01 August 2021
Mrs N Maharaj	South African	Appointed 01 August 2021
Mrs CN Mhlongo	South African	Appointed 01 August 2021
Ms SF Mkhize	South African	Appointed 01 August 2021

6.2 TRANSFORMATION FUND ADJUDICATION COMMITTEE

The Accounting Authority appointed the Transformation Fund Adjudication Committee, whose role is to consider and adjudicate on all applications received by the Fund. The Committee comprises of two Board members, an appointed member from the Department of EDTEA and the Chief Executive Officer. The Committee is supported by the Business Development Unit in receiving and assessing applications and making recommendations to the Committee for adjudication.

7. BOARD SECRETARY

The board secretary of the fund is Ms N Ntombela of:

Business address KZNGBB House
Redlands Office Park
01 George MacFarlane Drive
Pietermaritzburg
3201

Postal address Private Bag X9102
Pietermaritzburg
3200

Ms N Ntombela was appointed as Board Secretary w.e.f. 03 May 2022.

Ms PJ Stretch acted as Board Secretary from 01 August 2021 until 02 May 2022.

Mrs S Meyeiwa served as Board Secretary until her resignation on 31 July 2021.

8. AUDITORS

Auditor-General South Africa will continue in office for the next financial period.

The annual financial statements set out on pages 136 to 145, which have been prepared on the going concern basis, were approved by the members on 29 May 2023 and were signed on its behalf by:



Ms MP Myeni

Chairperson

Date: 31 July 2023



STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

		2023	2022
	NOTE(S)	R	R
Assets			
Current Assets			
Receivables from exchange transactions	2	4 530	5 972
Cash and cash equivalents	3	621 907	1 614 850
		626 437	1 620 822
Total Assets		626 437	1 620 822
Net Assets			
Accumulated surplus		626 437	1 620 822
Total Net Assets		626 437	1 620 822

STATEMENT OF FINANCIAL PERFORMANCE

AS AT 31 MARCH 2023

		2023	2022
	NOTE(S)	R	R
Revenue			
Revenue from exchange transactions			
Interest received - investment	5	53 429	64 504
Expenditure			
Distribution to beneficiaries	6	(1 047 814)	-
(Deficit) surplus for the year		(994 385)	64 504



STATEMENT OF CHANGES IN NET ASSETS

AS AT 31 MARCH 2023

	Accumulated surplus / deficit	Total net assets
	R	R
Balance at 01 April 2021	1 556 318	1 556 318
Changes in net assets		
Surplus for the year	64 504	64 504
Total changes	64 504	64 504
Balance at 01 April 2022	1 620 822	1 620 822
Changes in net assets		
Loss for the year	(994 385)	(994 385)
Total changes	(994 385)	(994 385)
Balance at 31 March 2023	626 437	626 437

CASH FLOW STATEMENT

AS AT 31 MARCH 2023

		2023	2022
	NOTE(S)	R	R
Cash flows from operating activities			
Receipts			
Interest income		54 871	63 319
Payments			
Suppliers		(1 047 814)	-
Net cash flows from operating activities	7	(992 943)	63 319
Net increase/(decrease) in cash and cash equivalents		(992 943)	63 319
Cash and cash equivalents at the beginning of the year		1 614 850	1 551 531
Cash and cash equivalents at the end of the year	3	621 907	1 614 850

The accounting policies on page 140 and the notes on pages 140 to 145 form an integral part of the annual financial statements.



ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2023

1. SIGNIFICANT ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

These accounting policies are consistent with the previous period.

1.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried at fair value. For the purpose of the cash flow statements cash and cash equivalents comprise cash on hand and deposits held at call with banks.

1.2 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the fund receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

MEASUREMENT

Revenue is recognised when it is probable that economic benefits will flow to the fund and the amount can be measured reliably.

Interest income is accrued on a time proportion basis, taking into account the principal amount and the effective interest rate.

INTEREST INCOME

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.3 FUNDING POLICY

A project or initiative will be awarded funding in the form of a grant for part of or all of its financial requirements. This will be dependent on the specifications referred to in the submitted business plan and funding request. A grant is an award of funds from the government that does not need to be repaid by the receiving party. Furthermore it does not accrue interest, however it has strict guidelines for the application process.

The receiving applicant is obligated to spend the funds in a manner specified by the Board or according to the conditions that are agreed to in the funding contract/ agreement. Funding will only be considered for business or value chain businesses that are directly linked to the promotion of the objectives as defined in terms of the definition of the "Transformation Fund".

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

	2023	2022
	R	R
2. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Accrued income	4 530	5 972
3. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Short-term deposits	621 907	1 614 850
4. REVENUE		
Interest received - investment	53 429	64 504
The amount included in revenue arising from exchanges of goods or services are as follows:		
Interest received - investment	53 429	64 504
5. INTEREST INCOME		
Interest revenue		
Bank	53 429	64 504
6. DISTRIBUTION TO BENEFICIARIES		
Distribution to beneficiaries	1 047 814	-
The fund awarded grants to successful applicants with the intention of growing the economy, creating jobs and developing skills. These awards have been made in line with the approved terms of reference of the fund.		
Details of beneficiaries		
Beneficiary		
South African Grooms Association	100 000	-
Blac Distinxion	140 000	-
South African Bookmakers Association	197 704	-
Traditional Horse Racing & Breeding	156 900	-
Ithotho Empowerment	199 720	-
Traditional Horse Racing & Breeding	100 000	-
Coastal Horse Care Unit	153 490	-
	1 047 814	-



NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

	2023	2022
	R	R
7. CASH (USED IN) GENERATED FROM OPERATIONS		
(Deficit) surplus	(994 385)	64 504
Changes in working capital:		
Receivables from exchange transactions	1 442	(1 185)
	(992 943)	63 319
8. COMMITMENTS		
Authorised operational expenditure		
Already contracted for but not provided for		
• Distribution to beneficiaries	100 000	-
Total operational commitments		
Already contracted for but not provided for	100 000	-

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

9. NEW STANDARDS AND INTERPRETATIONS

9.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

The fund has not applied the following standards and interpretations, which have been published and are mandatory for the fund's accounting periods beginning on or after 01 April 2023 or later periods:

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The fund expects to adopt the guideline for the first time in the 2024/2025 annual financial statements.

It is unlikely that the standard will have a material impact on the fund's annual financial statements.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

9. NEW STANDARDS AND INTERPRETATIONS *...continued*

9.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE *...continued*

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is not yet set by the Minister of Finance.

The fund expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

It is unlikely that the standard will have a material impact on the fund's annual financial statements.

iGRAP 21: The Effect of Past Decisions on Materiality

Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called "items").

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially "misstated" over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

iGRAP 21 addresses the following two issues:

- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of this interpretation is 01 April 2023.

The fund expects to adopt the interpretation for the first time in the 2023/2024 annual financial statements.

It is unlikely that the interpretation will have a material impact on the fund's annual financial statements.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

9. NEW STANDARDS AND INTERPRETATIONS *...continued*

9.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE *...continue*

GRAP 2020: Improvements to the standards of GRAP 2020

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters.

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP.

Amendments include,

GRAP 5 – Borrowing Costs

- For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate
 - Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete

GRAP 13 – Leases

- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
- Clarify that these arrangements may also be assessed in accordance with GRAP 21

GRAP 16 – Investment Property

- Clarify that GRAP 21 may be applied to assess investment property for impairment
- Include heading “Classification of property as investment property” (par 6 and 7) & delete existing headings
- Investment property under construction (within scope of GRAP 16)
 - Added heading “Guidance on initially measuring self-constructed investment property at fair value”
 - Added clarification that investment property is measured at fair value at earliest of:
 - completion of construction or development; or
 - when fair value becomes reliably measurable
- Clarify requirements on transfers to and from Investment property
 - Change in use involves an assessment on whether:
 - property meets, or ceases to meet definition of investment property and
 - evidence exists that a change in use has occurred
 - List of examples of a change in use is regarded as non-exhaustive

GRAP 17 – Property, Plant and Equipment

- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances
 - Land has an unlimited useful life and cannot be consumed through its use

GRAP 20 – Related Party Disclosures

- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party
 - Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity
 - If an entity obtains management services from another entity (“the management entity”) the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity’s employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
 - Management services are services where employees of management entity perform functions as “management” as defined

GRAP 24 – Presentation of Budget Information in Financial Statements

- Terminology amended
 - Primary financial statements amended to “financial statements” or “face of the financial statements”

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *...continued*

FOR THE YEAR ENDED 31 MARCH 2023

9. NEW STANDARDS AND INTERPRETATIONS *...continued*

9.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE *...continue*

GRAP 31 – Intangible Assets

- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired
 - Both under cost model or revaluation model

GRAP 32 – Service Concession Arrangements: Grantor

- Clarify disclosure requirement for service concession assets
 - Disclose carrying amount of each material service concession asset recognised at the reporting date

GRAP 37 – Joint Arrangements

- Application guidance clarified
 - When party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previous held interest in joint operation is not remeasured

GRAP 106 – Transfer of Functions Between Entities Not Under Common Control

- When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages
 - Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation

Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within scope of Directive

The effective date of these improvements is 01 April 2023.

The fund expects to adopt the improvements for the first time in the 2023/2024 annual financial statements.

It is unlikely that the improvements will have a material impact on the fund's annual financial statements.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

A fund applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2025.

The fund expects to adopt the amendment for the first time in the 2025/2026 annual financial statements.

It is unlikely that the amendment will have a material impact on the fund's annual financial statements.







KWAZULU-NATAL PROVINCE

ECONOMIC DEVELOPMENT, TOURISM
AND ENVIRONMENTAL AFFAIRS
REPUBLIC OF SOUTH AFRICA

