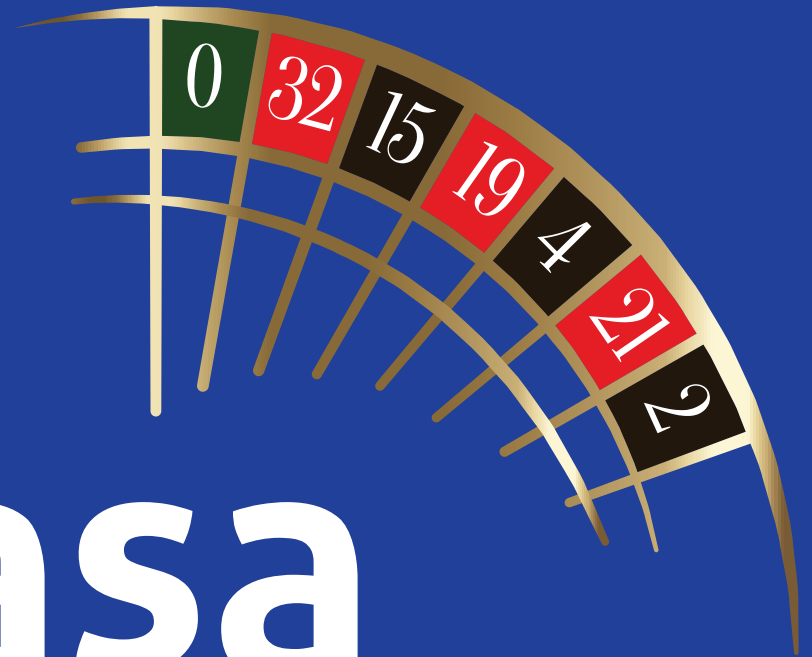
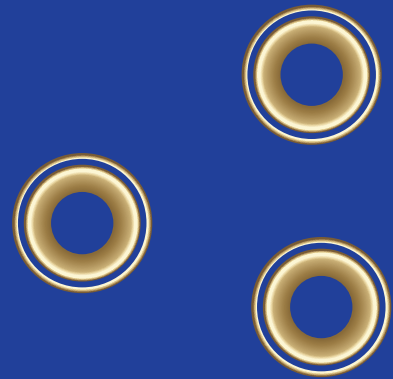
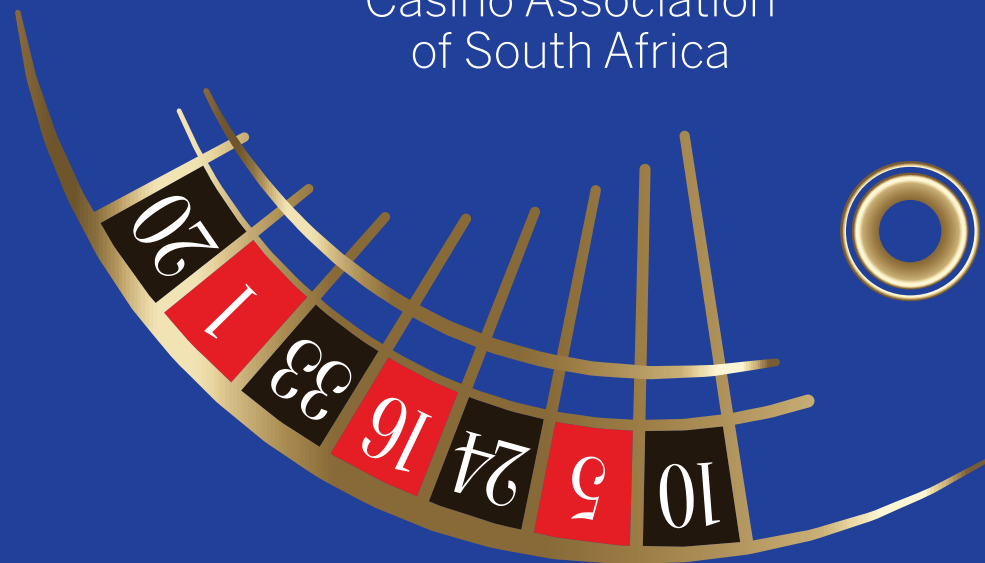


**SURVEY OF CASINO
ENTERTAINMENT IN
SOUTH AFRICA 2015**



casa

Casino Association
of South Africa







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Regulatory Authorities in South Africa

Message from Chairperson, Jabu Mabuza



On behalf of the Casino Association of South Africa, I am pleased to present this, the tenth edition of the Survey of Casino Entertainment in South Africa, an annual publication which provides public policy makers, analysts and a concerned citizenry with a valuable and comprehensive overview of the casino industry in our country.

As in past years, this volume provides the reader with exhaustive data relating to the casino industry's considerable contribution to national, provincial and local economies, data on employment and tax revenues, and evidence of the sector's contribution to community development initiatives and social responsibility programmes.

This publication will show how our industry has weathered the negative economic climate and continues to provide South Africans with forms of entertainment and leisure that they are able to trust for probity, financial integrity and social responsibility. That our revenues have held relatively steady can only be good for our patrons, employees and the communities within which we operate.

But as we look back on another year of accomplishment and progress, I am bound to express my concern at what appears to be an inability to meet rapid changes in the gambling environment with appropriate policy responses.

The current environment within which the casino industry functions in South Africa is well-fed with challenges which emanate from a number of sources. The first of these is the fragility of the prevailing economic climate. Protracted industrial action, spiralling unemployment rates, the energy crisis and the resultant declining investor confidence have collectively resulted in a bleak economic picture for the country. These factors impact significantly both on the extent of disposable income available to consumers

and the ease of doing business in the country. At this rate, the growth of the South African economy threefold and the creation of 11 million jobs by 2030 as envisaged in the National Development Plan is at risk.

Against this backdrop, the key to the rejuvenation and growth of businesses in the private sector is the promotion of a more flexible operating environment in which the degree of regulation is reduced and policies which inhibit investment are minimised or eliminated. This has not been the case to date, with recent policies having been proposed which, if implemented, will add to the existing inflexibility of the environment and increase the cost of doing business. Examples of this abound, and include the proposed changes to the casino regulatory framework through the increase in the maximum number of casino licences from 40 to 41 and the fast tracked rollout of electronic bingo terminals (“EBTs”) without a national regulatory framework for them, further regulatory intervention in the context of advertising relating to gambling and

additional smoking regulations, as well as a draft National Liquor Policy to the effect that no liquor premises may be located within 500 metres of schools, places of worship, recreation facilities, rehabilitation or treatment centres, residential areas, public institutions and/or premises near public transport. The foreseeable result of this 500 metres prohibition is that in urban or built-up areas, it will be virtually impossible to identify any premises which do not offend against the requirements, which renders the proposed Policy so rigid and prohibitive in its terms that compliance with the requirements thereof will not be objectively possible.

In addition, the Draft Liquor Policy proposes that existing premises which are already licensed but which fall within any of the above categories must effectively be divested of the relevant licence within a period of two years. This proposed course of action would have the effect of disturbing rights which have become vested in the holders of liquor licences, including CASA members, and therefore potentially subject to constitutional challenge.

Another threat is illegal online gambling. Despite the fact that online gambling is illegal, the trade which has been growing exponentially is proving a real threat to the revenues of legal gambling operations including casinos, as well as the tax revenue for the Government. As an example, if only 5% of all gambling revenue went to illegal online gambling in the financial year 2014/15, it represented approximately R125 million in lost gambling tax revenue alone for the country in just a year. This figure excludes VAT and corporate taxes.

As in previous years, the data contained in this survey is drawn from statistics and research published by the national and provincial gambling regulators, CASA member casinos and independent studies. Taken together, these sources constitute a valuable and exhaustive guide to the South African casino industry. Above all, they testify to the openness and transparency with which the industry approaches its duty of accountability to the country’s legislators and public.

Jabu Mabuza



Message from Chief Executive Officer, Adv. Themba Ngobese



The contents of this document provide a convincing record of what our member casinos have achieved since the first issue appeared in 2003. It is a testimony to the maturity attained by our industry and the very considerable progress that has been made since casino gambling was legalised in 1995.

The number of operational casinos increased from 36 to 38*, and CASA currently represents 36 of the 38, and has played a leading role in advancing the interests, reputation and privileges of the industry, having developed valuable and mutually respectful relations with both policy makers at the most senior level and with national and provincial regulators. We represent the vast majority of South Africa's licensed casino industry which has been responsible for substantial new infrastructural and tourism investment in all nine provinces; and have added to the South African GDP in terms of economic multipliers. By representing 95% of all legal casino operators, CASA actively champions good governance and constructively contributes towards policy decisions that encourage growth and investment in the industry and South Africa.

In the financial year 2014/15, CASA members contributed R5.7 billion towards government tax revenue in the form of various taxes and levies which represents 37% of the value generated by them this year.



CASA members
R5.7 billion
towards tax revenue

* The report covers the period to 31 March 2015. The 38th casino, Thaba Moshate Casino in Limpopo opened its doors on 01 April 2015.

This industry supports over 64 000 jobs of which 14 212 employees are directly involved with casino operations only with another 10 068 people being employed for outsourced services such as security and cleaning services also for casino operations only. The balance is employed in non-casino operations such as hotels, convention centres, restaurants, theatres etcetera. Our members invested a total of R2.3 billion in capital expenditure at their properties in 2015 which amounts to 13.4% of GGR.

Overall gross gambling revenue (“GGR”) for the casino industry increased by 4.5% in 2014/15 compared to the marginal 0.6% increase in 2013/14, and have also grown by an average of 4.5% between 2011 and 2015. The industry has been affected by, inter alia, the general economic conditions during the past year which has impacted on the disposable income of consumers as well as revenue erosion from illegal online gambling operations.


In terms of tables and slots statistics, CASA members generated average revenue per table of R3.5 million in 2015 which is 1.5% up on the prior year due to the slight increase of 4.4% in the number of operational tables and 5.9% increase in table revenues. The average revenue per slot machine at CASA members is R0.6 million which is 1.7% up on the prior year due to the slight increase of 1.1% in the number of operational slot machines and 2.8% increase in slots revenues.

CASA members generated value of R15.2 billion in 2015 from their activities after taking into account amounts paid to suppliers. Of the R15.2 billion generated, 21% was distributed to employees and 37% to local, provincial and national government in the form of various taxes and levies. These two stakeholders received a whopping 58% of the value generated.

This means that employees shared in 20% of value added, nearly equal to the 23% share due to the providers of capital. The State enjoyed the largest share at 37% (almost 40%) of total value added.

As a socially responsible sector, CASA members are fully committed to corporate social investment (“CSI”) as one of the cornerstones of their ethical business model. With CSI becoming ever more strategically focused, it also makes sense to align CSI spend with core business objectives and imperatives. Such an approach moves CSI out of the charitable sphere into one in which true partnerships with beneficiaries; Government and NGO’s bring about long-term sustainable development to the benefit of all. In total, CSI initiatives received 1% or R151 million of value generated, which includes contributions of R16.7 million to the National Responsible Gambling Programme (“NRGP”).

Adv. Themba Ngobese



CASA members
generated value of
R15.2 billion



Who is CASA?

Who is CASA?

The Casino Association of South Africa (“CASA”) represents the interests of the country’s legal casino gambling industry, as well as the public that the industry serves.

CASA was founded in 2003 with the aim of creating a better understanding of casino entertainment by bringing the facts about the industry to stakeholders including the general public, media, public representatives, regulators, and policy-and decision-makers, through education and advocacy.

It represents the vast majority of South Africa’s licensed casino industry that has been responsible for substantial new infrastructural and tourism investment in all nine provinces. CASA represents all but two of the companies operating in the commercial casino industry including London Clubs International, Peermont Global, Sun International and Tsogo Sun.

CASA has added considerably to the South African gross domestic product (“GDP”) in terms of economic multipliers. As

the second largest provider of own income to the provinces, it provides significant tax revenue to the fiscus – in fact Government is currently a 37% ‘shareholder’ in the casino industry with respect to value generated.

In the construction phase of the various casinos, the industry created over 100 000 direct and indirect jobs and in the current operational phase CASA members sustain approximately 64 000 employees. The casino industry is one of the most transparent, regulated, monitored and taxed industries in South Africa. This imposes both a legal and an ethical responsibility on CASA’s members to adhere to the very highest standards of conduct and to provide research-based data to directly address misconceptions, myths and general lack of knowledge about the industry as a whole.

CASA members sustain approximately
64 000 employees



Who the members are?



CASA members are employers, property owners and taxpayers and place the highest priority on the obligations of corporate citizenship and social responsibility.

CASA Members include:

Tsogo Sun

Tsogo Sun is the largest hotel, gaming and entertainment company in South Africa, providing a vast variety of hospitality and exciting entertainment and leisure experiences.

The Tsogo Sun heritage dates back to the founding of Southern Sun Hotels in 1969. Various mergers and acquisitions have seen the Group grow and expand over 4 decades, most significantly as a result of the successful application for casino licences following the legalisation of the gaming industry in South Africa in 1994.

Tsogo Sun's portfolio today comprises over 90 hotels with more than 14 600 hotel rooms across all sections of the market in South Africa, Africa, the Seychelles and the Middle East. 14 premier gaming and entertainment destinations in six provinces of South Africa; theatres, cinemas, restaurants and bars

and over 250 conference and banqueting facilities, including the Sandton Convention Centre.

The Group's urban and resort casino portfolio includes the most popular entertainment destinations, strategically located in six provinces throughout South Africa, as follows: Gauteng (three properties) - Montecasino, Gold Reef City Casino and Silverstar Casino; KwaZulu-Natal (three properties) - Suncoast Casino and Entertainment World, Golden Horse Casino and Blackrock Casino; Mpumalanga (two properties) - Emnotweni Casino and The Ridge Casino; Free State (one property) - Goldfields Casino; Eastern Cape (two properties) - Hemingways Casino and Queens Casino; Western Cape (three properties) - The Caledon Casino, Hotel and Spa, Mykonos and Garden Route Casino.

Tsogo Sun is committed to being at the forefront of world class standards in South African casinos. Furthermore Tsogo Sun is passionate about empowerment and social responsibility, with a core ethos of being a catalyst for change.

Tsogo Sun is listed on the Johannesburg Stock Exchange. Its key shareholder is Hosken Consolidated Investments Limited ("HCI"), a JSE listed investment holding company (47.6%) with the remaining shareholding held by various financial institutions and the general public (52,4%).

Sun International

The Sun International brand has a proud legacy in the gambling, hospitality and entertainment sector. The Sun International Group has a diverse portfolio of assets including world class five star hotels, modern and well located casinos, and some of the world's premier resorts.

Today, Sun International is Africa's largest tourism, leisure and gambling group and operates or has an interest in a total of 27 resorts, luxury hotels and casinos across ten countries. This includes 15 operations in South Africa, and interests in operations in Zambia, Lesotho, Botswana, Nigeria, Swaziland and Namibia. The group also has casino operations in Chile, Panama and Colombia and has recently announced a transaction that will result in it becoming the biggest gaming operator in Latin America.

The group's portfolio includes Leading Hotels of the World such as The Table Bay hotel in Cape Town, The Palace of The Lost City hotel at Sun City and The Royal Livingstone in Zambia at the Victoria Falls. Its gambling portfolio includes some of South Africa's best known iconic properties such as GrandWest and the world-renowned Sun City. Sun International's local gaming portfolio will be expanded by a R3 billion iconic new casino development currently under construction in Menlyn Maine, Tshwane and has tendered an additional R650 million investment into the development,

subject to the approval of the Gauteng Gambling Board. The creative architecture of these properties and the blending of their designs with their local environment make each property unique.

Sun International was the pioneer of gambling in southern Africa, having brought casinos to this part of the world in the late 1970s. The opening of Sun City set the standard for large-scale international events in South Africa, which continues today. It places a strong emphasis on being a responsible corporate citizen through its Creating Shared Value philosophy and its contributions and commitment to the economy, communities and the environment. It is also committed to the development of all its employees and ensures that equal opportunities and economic empowerment form the backbone of its human resource practices.

Peermont Global

The Peermont Group consists of award-winning hotels, casinos and resorts. With 13 properties located across South Africa, Botswana and Malawi, we are renowned for our excellence in design, development, management, ownership and operation of multi-faceted hospitality and gambling facilities.

Its competitive status is driven by a strong, entrepreneurial management team, unique corporate values and a desire to

exceed through an exceptional service offering and guest centric approach. Peermont respect and harnesses the traditions and support of local communities and strive to consistently improve our market-leading Corporate Social Investment initiatives.

London Clubs International

London Clubs International has been part of Caesars Entertainment Corporation since 2006, and is one of Europe's leading casino companies, offering a diverse portfolio of 14 entertainment and gambling locations throughout the United Kingdom, South Africa and Egypt.

Caesars Entertainment saw its beginning in Reno, Nevada more than 70 years ago. Since then the company has grown through the development of new resorts, expansions and acquisitions, and now owns or manages casino resorts on four continents with more than 70 000 employees.

Emerald Resort and Casino, managed by London Clubs, opened in 1998 and resides on the lush banks of the Vaal River, less than an hour from OR Tambo International Airport. To date Emerald Resort and Casino has over 1 000 employees, more than 540 slot machines and over 30 tables. Emerald Resort and Casino prides itself on service, the highest standards of customer care and commitment to the environment and the local community.

The background of the slide is a dark, textured pattern featuring various playing cards and casino chips. The cards are scattered across the frame, showing different suits and values. The chips are also scattered, with some showing their faces and others showing their edges. The overall aesthetic is that of a classic casino floor.

Introduction & casino industry statistics

CASA's mission is to play a constructive and positive role in the development of good public policy and good governance in respect of the casino industry.

The organisation records provincial and national economic impact data, which includes gambling revenues; and reports on the employment and wages generated by its members' casinos and their contribution to community development projects throughout the country. Since its inception in 2003, the annual CASA Survey has become the authoritative resource for those wishing to obtain a comprehensive overview of the impact of the casino industry on provincial and national economies.

Rigorous and effective regulation is a cornerstone of the casino industry, but must occur within a policy context that is informed and rational. For policy-makers and legislators to make rational decisions about the casino industry, it is clearly essential that they be provided with the most reliable and in-depth information about the contribution made by the industry to society.

This Survey is designed to contribute towards that understanding, in the hope that from this will follow fact-based analysis that is grounded not in popular misconceptions about South Africa's commercial casino sector, but in firm evidence. As such, CASA welcomes further engagement and consultation with Government, policy makers and regulators.

Taxation

In the year under review, the casino industry has continued to display relative resilience, with gambling revenue showing slight growth, accompanied by an ongoing commitment by CASA members to the refurbishment and expansion of casino properties – this despite uncertain trading conditions and the

tentative current strength of the domestic economy.

More concerning for CASA than the challenges of the economic environment, however, is an ongoing enthusiasm on the part of policymakers for yet more stringent regulation and taxation of the industry. CASA believes that Government should approach with great caution the imposition of further regulatory restrictions or demands attached to conditions of licensing that may threaten the profitability of the casino industry and its ability to create and sustain jobs.

This is particularly the case in respect of new taxes and an increase on current taxes which will have an overall negative impact on casino revenues and thus on the tax payable to provinces, as well as the sustainability of the approximately 64 000 direct jobs that the industry currently maintains. South Africa's casino sector is already a major source of tax revenues and Government needs to consider the extent to which further fiscal burdens will threaten the profitability of an industry that is a major generator of jobs and investment in public infrastructure.

Casinos are often regarded by Government as ready and renewable sources of income and are subject to recurring impositions of increasing tax burdens on gambling revenues. While this approach may yield short-term benefits to the fiscus, it ignores the fact that high taxes mean lower capital investment in non-gambling facilities that will attract increased tourism spend and produce much-needed public infrastructure.



Regulatory Concerns



Regulatory Concerns

South Africa has been enormously successful in achieving Government's policy objective to exploit gambling as a source of taxation revenue, job creation and economic empowerment; in other words, to regulate the gambling industry in a manner which brings the greatest net benefits to society as a whole. Future policy should build on these achievements rather than endanger them by implementing ill-considered changes to the regulatory regime or, in cases such as the requirements attached to certain types of licences, inadequate regulation.

Gambling Licences and Applicable Requirements

In 1995, gambling legislation clearly classified the gambling licences which were to be offered to gambling operators and the types of gambling games that could be offered to the public for play under each gambling licence. Relevant gambling legislation specified the particular requirements to be met in order to obtain each of the designated forms of gambling licence.

The requirements applicable for purposes of obtaining a casino licence were extensive, typically including security of tenure of the premises on which the casino was to be built, a graded hotel with a predetermined minimum number of rooms, a conference and convention

facility with a predetermined minimum size, other leisure and entertainment facilities, minimum requirements on ownership of the proposed casino licensee by Black people, creation of jobs, evidence of economic and community benefits, and so forth.

The applicable requirements to obtaining bingo licences were fewer and far less substantial than those which applied to casino licences. In contrast to casino licences, an applicant for a bingo licence/operator of Electronic Bingo Terminals ("EBTs") is subject only to requirements relating to the ownership of the proposed bingo licensee by Black people, the creation of jobs and evidence of economic and community benefits.

Casino versus Bingo Licences

It further bears mention that casino licensee competed with each other, in a competitive bidding process, for a limited number of casino licences (which total 40). By contrast, the number of bingo licences which can be awarded is not limited in terms of current gambling laws in South Africa.

Casino licensees have been required to invest substantial capital in their casino facilities, which include hotels, restaurants, conference and convention facilities, cinemas, theatres, and so forth. Bingo operators are not required to satisfy significant capital expenditure requirements.



EBTs operated in the context of Bingo Licences

EBTs do not materially differ from slot machines. The key characteristics of EBTs - appearance, presentation and manner of play – are substantially the same as those which define ordinary slot machines. This is supported by the positioning of the marketing and advertising which operators of EBTs have created. (For example, much of the advertising is not associated with bingo activities; rather, EBTs have been depicted as casino-type environments, with accompanying images of slot machines and other associated casino-type activities). The perception which EBT operators seek to create is thus fully aligned with the actual nature and function of those machines - EBTs are, in effect, slot machines.

The issues that arise from the facts above are quite apparent. Holders of bingo licences/ EBT operators are for all intents and purposes operating slot machines without holding the requisite casino licence and without satisfying the particular requirements for holding a casino licence. EBT operators have, therefore, the benefits of engaging in the operation of a casino, without satisfying the obligations required. CASA

contends that permitting EBTs to be operated in the context of bingo operations amounts to a clear subversion of the applicable legislative framework, and condoning such conduct establishes an inconsistent approach to slot/gambling machines, and results in an inconsistent application of the applicable legislation, which discriminates unfairly – and substantially – against licensed casino operators which have met the applicable requirements for operating slot/gambling machines.

Illegal online gambling

CASA has been monitoring the incidence of illegal and unregulated online gambling as an industry and are growing increasingly concerned at the growth in usage and operations which targeted unsuspecting South African players. These operations leave vulnerable people completely unprotected as operators are neither registered nor regulated to run a business in our country. To try and address this, we embarked on an education campaign around the consequences of illegal online gambling in December last year. The campaign, which ran until the end of the first quarter this year was designed to highlight the



real issues behind illegal online gambling, to warn and protect unsuspecting players, as well as the consequences that operators and property owners could face if concerted action is not taken. The campaign also highlighted the reality of a R10 million fine, 10 years in jail, or both, for those who are caught and prosecuted for operating, or participating in illegal online gambling, while educating the public on what exactly constitutes illegal online gambling - such as using a computer or any mobile device to gamble where the outcome is determined online via slot machines, poker, roulette, etcetera.

Executive summary on the performance of the casino industry

As this edition of the CASA Survey reports, GGR for the entire gambling industry in the 2014/15 financial year amounted to R24 billion which was a 9,6% increase over the R22 billion recorded in 2013/14. The casino industry accounted for 72,1% of the R24 billion.

Overall GGR for the casino industry increased by 4,5% in 2014/15 to R17,2 billion from R16,5 billion in 2013/14. At the same time, gambling taxes/levies, VAT and corporate taxes paid by CASA members to the fiscus rose to R4,8 billion in 2014/15, an increase of 6.7% from R4,5 billion in the previous year.

Of the R4,8 billion, R1,8 billion was paid to the provincial gambling regulators (“PGRs”) as gambling taxes/levies whilst R1,9 billion and R1,1 billion was paid to the national treasury as VAT and corporate taxes respectively.

CASA members invested a total of R2,3 billion in capital expenditure at their properties in 2015 which amounts to 13,4% of GGR.



Five year history: National (Excl. VAT)	2011	2012	2013	2014	2015
GGR	14 042 524 647	14 854 699 300	16 411 121 989	16 497 594 914	17 234 928 081
Year on year growth	-	5.8%	10.5%	0.6%	4.5%
Gambling taxes/levies (Excl. VAT)	1 318 441 017	1 405 182 661	1 577 968 216	1 639 968 975	1 791 214 932
Year on year growth	-	7%	12%	4%	9%
VAT	1 562 606 762	1 651 695 026	1 821 615 376	1 824 620 729	1 896 596 352
Gambling taxes/levies (Incl. VAT)	2 881 047 779	3 056 877 687	3 399 583 592	3 464 589 704	3 687 811 284
Year on year growth	-	6.10%	11.21%	1.91%	6.44%

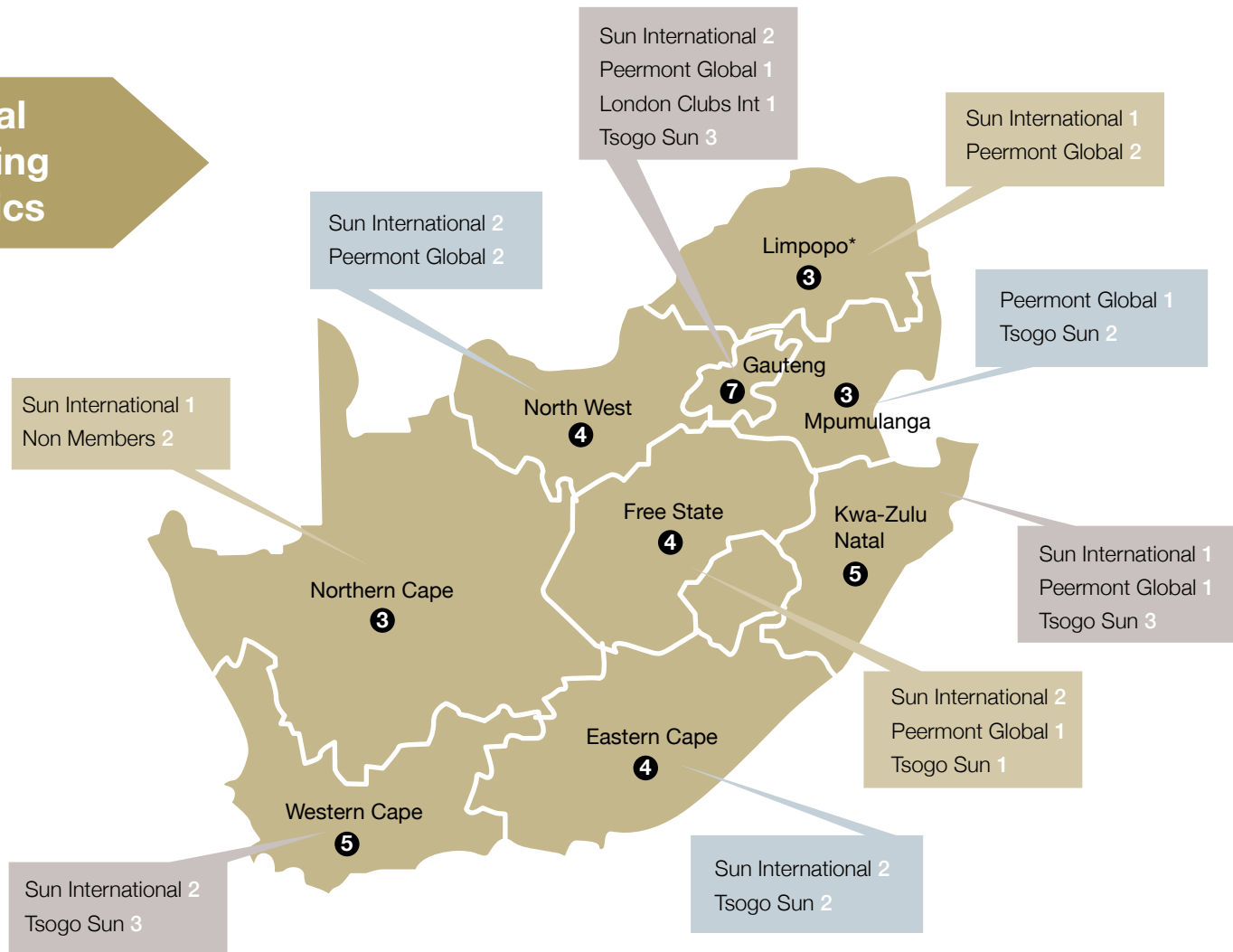
a. Legal operational casinos in South Africa

Province	Tsogo Sun Group	Sun International	Peermont Global	London Clubs International	Desert Palace Casino*	Leithlo Resort*	Total
Gauteng	3	2	1	1	-	-	7
KwaZulu-Natal	3	1	1	-	-	-	5
Western Cape	3	2	-	-	-	-	5
Eastern Cape	2	2	-	-	-	-	4
North West	-	2	2	-	-	-	4
Free State	1	2	1	-	-	-	4
Mpumalanga	2	-	1	-	-	-	3
Limpopo	-	1	2	-	-	-	3
Northern Cape	-	1	-	-	1	1	3
TOTAL	14	13	8	1	1	1	38

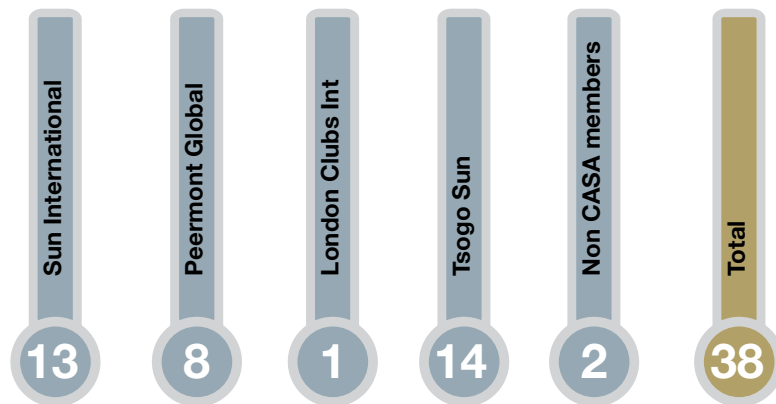
* Non CASA member

b. Location of legal operational casinos in South Africa

National Gambling Statistics



Casino Group
Holding Licences
in South Africa



* The report covers the period to 31 March 2015. The 38th casino, Thaba Moshate Casino in Limpopo opened its doors on 01 April 2015.

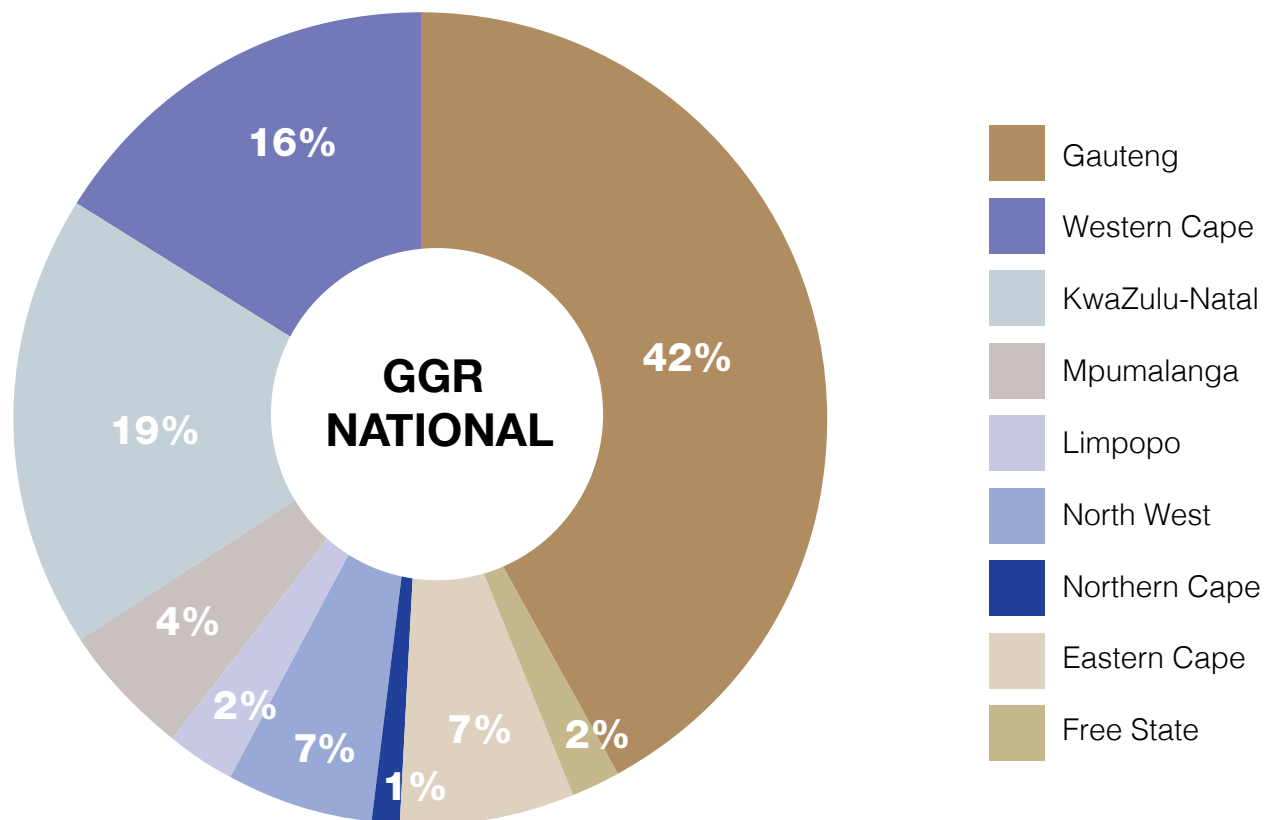
c. National Gambling Statistics

(i) Gross Gambling Revenue (“GGR”)

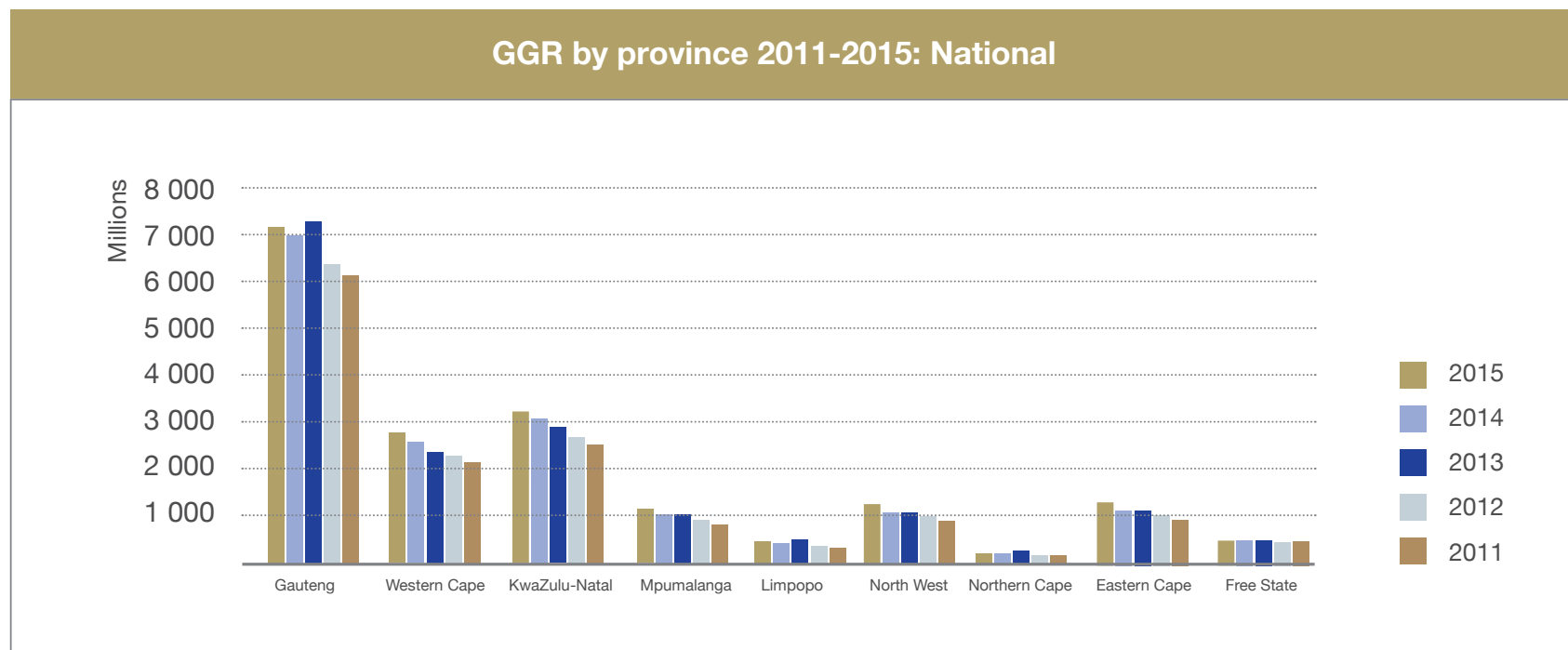
Definition:

“**Gross gambling revenue**” or “**GGR**” means the revenue which represents the gross revenue generated from gambling activities in the hands of the gambling licence holder i.e. amount wagered less winnings paid to players, on the basis of which gambling tax/levy is calculated.

• Provincial split of GGR



- GGR per province for the industry for the last 5 years



- GGR by province 2011 - 2015: National

	2011	2012	2013	2014	2015	% Growth 2014 vs 2015
Gauteng	6 074 259 561	6 340 747 305	7 229 714 582	6 987 455 526	7 155 531 190	2.4%
Western Cape	2 132 968 753	2 258 637 880	2 394 495 037	2 536 384 555	2 751 876 975	8.5%
KwaZulu-Natal	2 508 255 597	2 702 734 498	2 968 153 142	3 072 578 221	3 200 352 698	4.2%
Mpumalanga	603 145 948	658 945 251	709 229 889	728 757 839	763 947 943	4.8%
Limpopo	330 913 934	345 428 472	373 311 185	352 409 411	370 308 819	5.1%
North West	872 685 745	975 368 628	1 016 465 854	1 042 453 071	1 176 916 503	12.9%
Northern Cape	163 670 307	176 715 011	191 206 079	186 995 244	210 429 175	12.5%
Eastern Cape	952 047 404	1 002 476 475	1 109 245 098	1 171 027 506	1 196 721 097	2.2%
Free State	404 577 398	393 645 780	419 301 123	419 533 541	408 843 681	-2.5%
TOTAL	14 042 524 647	14 854 699 300	16 411 121 989	16 497 594 914	17 234 928 081	4.5%

Overall casino GGR increased by 4.5% in 2015 to R17.2 billion, and have grown by an average of 4.5% between 2011 and 2015. The industry has been affected by the general economic conditions during the past year which has impacted on the disposable income of consumers as well as revenue erosion from illegal online gambling operations.

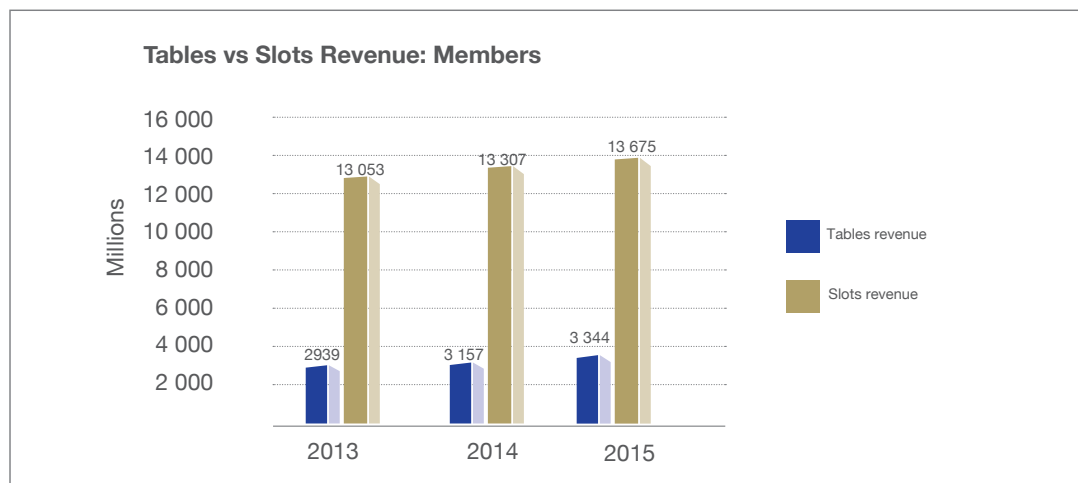
(ii) Tables and slots revenue statistics

- Number of table and slot positions in country

Slots and tables statistics: Members			Growth: 2014 to 2015
	2014	2015	
Number of operational tables*	893	932	4.4%
Number of slot machines	23 167	23 415	1.1%
	2014	2015	
Tables revenue	3 157 428 594	3 343 945 658	5.9%
Slots revenue	13 306 608 107	13 674 898 580	2.8%
	16 464 036 701	17 018 844 238	
Average revenue per table	3 535 754	3 587 925	1.5%
Average revenue per slot machine	574 378	584 023	1.7%

* This relates to the number of tables as opposed to gaming positions.

- Chart showing revenue split overall country wide between tables and slots



In terms of tables and slots statistics, CASHA members generated average revenue per table of R3.5 million in 2015 which is 1.5% up on the prior year due to the slight increase of 4.4% in the number of operational tables and 5.9% increase in table revenues. The average revenue per slot machine at CASHA members is R0.6 million which is 1.7% up on the prior year due to the slight increase of 1.1% in the number of operational slot machines and 2.8% increase in slots revenues.





Gambling taxes/levies
and VAT totalled
R3.7 billion in 2015

(iii) Gambling Taxes/Levies, VAT and corporate taxes

Definitions:

“Corporate tax” means an amount imposed and collected from companies based on their income by the South African Revenue Service in terms of the Income Tax Act, Act No. 58 of 1962 (as amended)

“Gambling tax/levy” means an amount imposed and collected from gambling licence holders based on their gross gambling revenue by provincial licensing authorities in terms of provincial gambling legislation

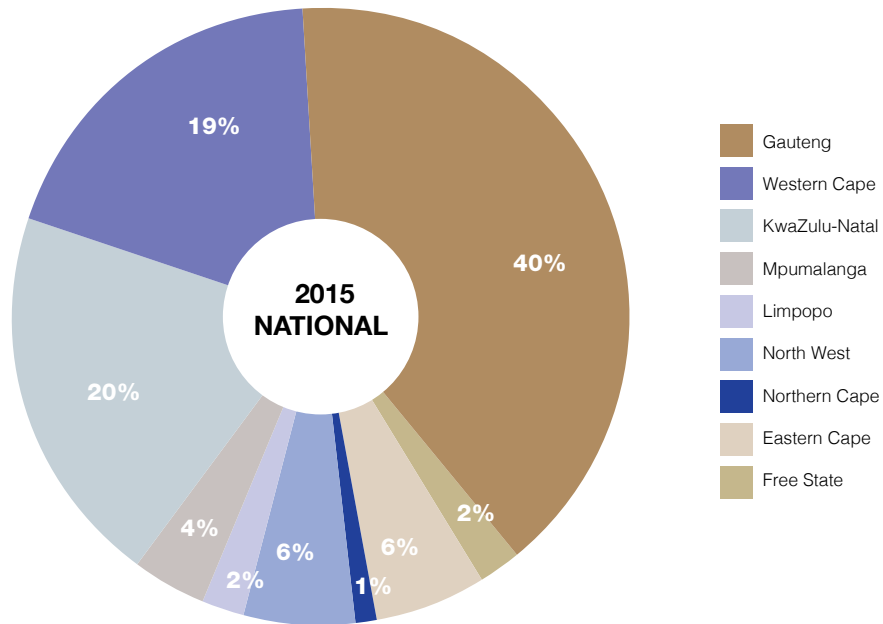
“Value Added Tax” or “VAT” means an amount imposed and collected by the South African Revenue Service from companies based on their sale of goods and services in terms of the Value Added Tax Act, Act No. 89 of 1991 (as amended). Casino operators pay a deemed output VAT to the national treasury on the total gross gambling revenues generated by the casino. The output VAT is calculated after gambling taxes/levies and is a cost to the casino as it is not recovered from the player.

Gambling taxes/levies and VAT totalled R3.7 billion in 2015, up 5,7% from 2014, due to the 4.5% increase in GGR. CASA members paid R3.7 billion in gambling taxes/levies and VAT and an additional R1.1 billion in corporate taxes. In total for the period amounting to R4.8 billion for the year which represents 28% of their GGR.

• Total Gambling Taxes/Levies and VAT for South Africa

National										
	Gauteng	Western Cape	KwaZulu-Natal	Mpumalanga	Limpopo	North West	Northern Cape	Eastern Cape	Free State	Total
GGR 2015	7 155 531 190	2 751 876 975	3 200 352 698	763 947 943	370 308 819	1 176 916 503	210 429 175	1 196 721 097	408 843 681	17 234 928 081
Gambling taxes/levies 2015	683 308 387	409 063 497	377 445 249	54 929 152	31 467 449	91 445 627	16 817 522	98 118 992	28 619 057	1 791 214 932
VAT on GGR 2015	794 834 379	287 713 936	346 672 845	87 072 483	41 612 098	133 303 441	23 776 870	134 916 048	46 694 252	1 896 596 352
Total gambling taxes/levies & VAT 2015	1 478 142 766	696 777 433	724 118 094	142 001 635	73 079 547	224 749 068	40 594 392	233 035 040	75 313 309	3 687 811 284
Gambling taxes/levies and VAT as % of GGR	20.66%	25.32%	22.63%	18.59%	19.73%	19.10%	19.29%	19.47%	18.42%	21.40%

GAMBLING TAXES/LEVIES/VAT



Total taxes (taxes, levies, VAT & corporate) as a share of gross gambling revenues: Members

GGR	17 018 844 238
	4 692 221 909
Gambling taxes/levies & VAT 2015	3 615 524 059
Corporate taxes	1 076 697 850
Total taxes as % of GGR	28%

Total taxes/levies and VAT for last five years compared to total GGR for last five years:

National	2011	2012	2013	2014	2015
Gross Gambling Revenue	14 042 524 647	14 854 699 300	16 411 121 989	16 497 594 914	17 234 928 081
Gambling taxes/levies & VAT	2 881 047 779	3 056 877 687	3 399 583 592	3 464 589 704	3 687 811 284
% of Gambling taxes/levies & VAT to GGR	20.5%	20.6%	20.7 %	21.0%	21.4%
Growth in Gambling taxes/levies & VAT	-	6.1 %	11.2%	1.9%	6.4%
Growth in GGR	-	5.8%	10.5%	0.6%	4.5%

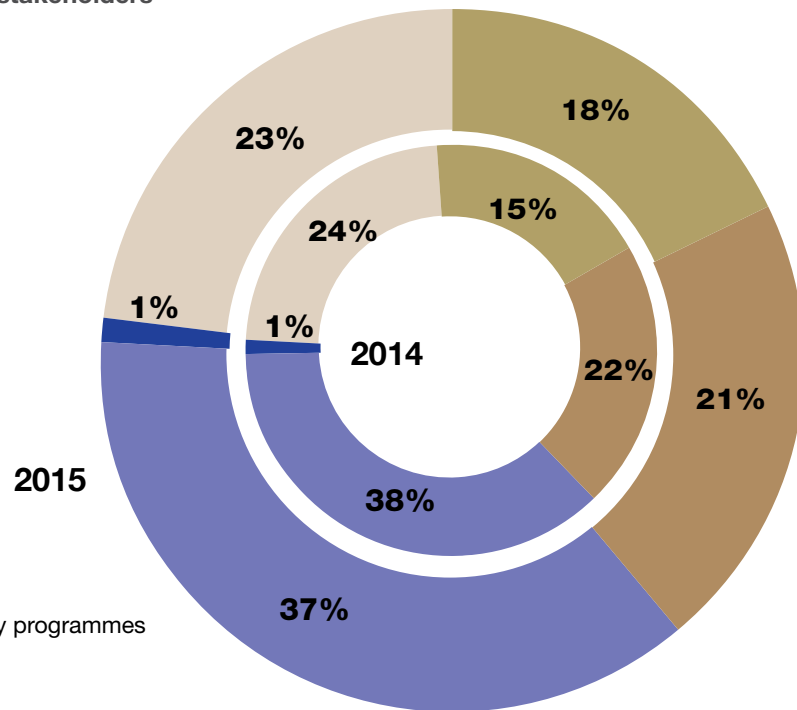
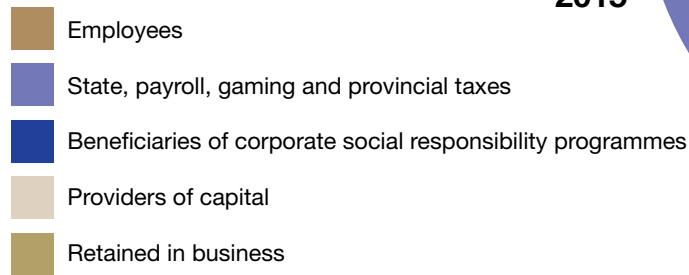
Casino Industry Value Added Statement – CASA members

a) Where the money goes?

Revenue	2014 AMOUNT 'R000	2015 AMOUNT 'R000
Casino Gross Gaming Revenue	16 464 036	17 018 844
Slots win	13 306 608	13 674 899
Tables win	3 157 428	3 343 946
Interest Income	154 643	114 308
Dividends income	164 000	263 231
Other revenue	3 267 039	3 250 815
Gross value generated		
Less:	20 049 719	20 647 198
Paid to suppliers for materials and services	-5 577 523	-5 389 115
TOTAL VALUE ADDED	14 472 196	15 258 083
Disbursed among stakeholders:		
Employees	3 165 697	3 150 798
Salaries, wages and all related benefits	3 572 510	3 546 044
Less: PAYE	-406 813	-395 246
State and provincial taxes	5 552 526	5 740 469
Corporate tax and STC	1 092 467	1 076 698
PAYE	406 813	395 246
Casino levies	1 626 695	1 747 170
VAT on casino revenues	1 790 558	1 868 354
VAT on other revenues	362 940	349 573
Withholding taxes	3 080	2 890
Other taxes (property assessment rates, UIF, RSC, skills levy etc.)	269 973	300 538
Beneficiaries of corporate social responsibility programmes	123 007	151 166
Educational trusts and bursary schemes	39 188	70 596
Community upliftment trusts/ NGO's	16 884	39 112
Local government contributions	47	166
General charitable donations	42 091	24 091
Infrastructure improvements	8 506	425
Responsible gaming programme	16 289	16 776
Providers of capital	3 395 053	3 543 356
Dividends to shareholders	1 848 932	1 857 647
Interest paid on borrowings	1 439 263	1 442 138
Capital paid on borrowings	-	150 205
Property rental costs	106 857	93 366
RETAINED IN BUSINESS	2 235 914	2 672 294
Depreciation	1 312 493	1 468 389
Available to fund the replacement of assets and facilitate future growth	923 421	1 203 905
	14 472 196	15 258 083
Disbursement of value added by casinos to stakeholders		
Employees	3 165 697	3 150 798
State, payroll, gaming and provincial taxes	5 552 526	5 740 469
Beneficiaries of corporate social responsibility programmes	123 007	151 166
Providers of capital	3 395 053	3 543 356
Retained in business	2 235 914	2 672 294
	14 472 196	15 258 083

b) Disbursement of value added by CASA members to stakeholders

DISBURSEMENT OF VALUE ADDED BY CASINOS TO STAKEHOLDERS



CASA members generated value of R15.2 billion in 2015 from their activities after taking into account amounts paid to suppliers. Of the R15.2 billion generated 21% was distributed to employees and 37% to local, provincial and national government in the form of various taxes and levies. These two stakeholders receive 58% of the value generated.

CSI initiatives received 1% or R151 million of value generated, which includes NRGPs contributions of R16.7 million, whilst providers of capital received 23% of value generated.



37% of the value generated by CASA members went to government



National Responsible Gambling Programme and Compliance Costs



a. National Responsible Gambling Programme

South Africa's NRGP is internationally acclaimed for its sound responsible practices, and members of the NRGP, remain actively involved in the programme. It is a leading example of a collective industry approach to ensuring responsible gambling which underpins the sustainability of the industry. The NRGP creates and promotes awareness amongst customers and employees about the dangers associated with irresponsible gambling and under age gambling. This unique public/private sector partnership also deals with education, training, treatment, counselling and research in connection with responsible gambling in South Africa.

Further information on the NRGP can be obtained at www.responsiblegambling.co.za

• Funding of the NRGP

	2011	2012	2013	2014	2015
GGR: Members	14 080 451 520	14 984 301 838	15 992 226 392	16 464 036 701	17 018 844 238
NRGP Contributions: Members	12 991 934	13 767 543	14 616 631	16 306 877	16 776 478
As % of GGR	0.09%	0.09%	0.09%	0.10%	0.10%

b. Compliance costs at casinos for the year

Compliance costs include gambling regulatory compliance costs, internal audit requirements for reporting to the PGRs in terms of legislation and costs incurred for the casino regulatory compliance function costs.

Compliance with gambling legislation remains the primary focus area for CASA members and is a deep rooted practice of all members. CASA members operate in a highly regulated industry, take legislation seriously and comply with the stringent regulatory requirements. R69 million was spent on compliance related costs in 2015, which amounts to 0.4% of GGR of CASA members.

• Compliance costs as a ratio to GGR

Revenue and compliance audits at casinos for the year			
	2013	2014	2015
Revenue and compliance audits at casinos for the year	57 877 467	61 624 708	69 915 575
GGR	15 992 226 392	16 464 036 701	17 018 844 238
	0.36%	0.37%	0.41%

A Black woman with dark, curly hair is smiling warmly at the camera. She is wearing a white long-sleeved shirt with a decorative gold-colored pattern on the front and a red vest. She is standing behind a bar, with a metal pole visible on the left and blurred figures of other people in the background. A blue arrow-shaped banner is overlaid on the image, pointing to the right.

Broad-Based Black Economic Empowerment (“B-BBEE”)

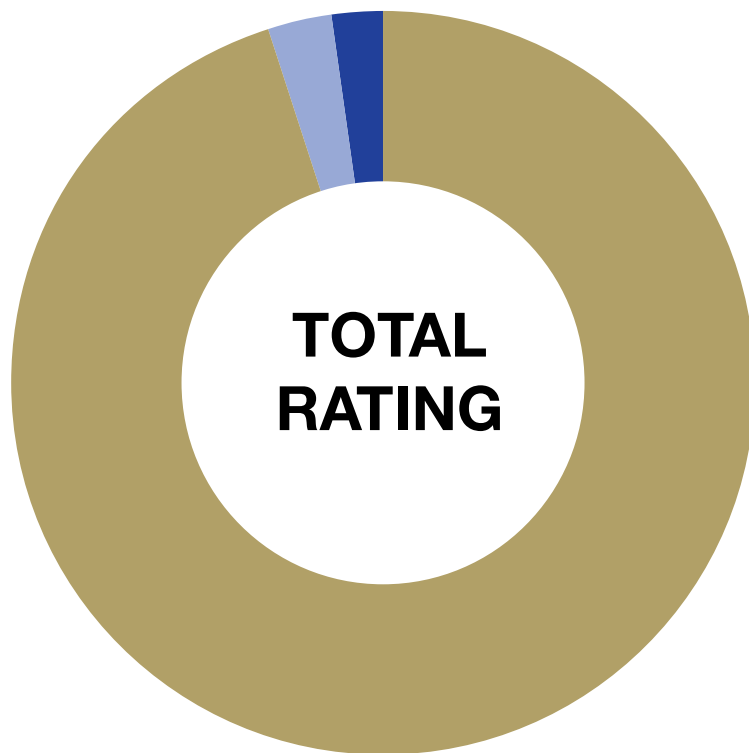
B-BBEE

a. Average B-BBEE ratings for the industry

CASA and its members regard B-BBEE as an integral part of their business philosophy, values and operational activities.

2015 B-BBEE ratings

Of the 35 member casinos, 34 casinos have a Level 2 B-BBEE rating and 01 casino has a Level 1 B-BBEE rating. 1 casino which is not included in these statistics does not have a B-BBEE rating yet as it only commenced operations on 01 April 2015 whilst this report covers the financial year ended 31 March 2015.



- 1 Rating
- 2 Rating
- 3 Not rated yet

CONTRIBUTION LEVEL	SCORECARD POINTS
1	100 or above
2	85 to 99.99
3	75 to 84.99
4	65 to 74.99

B-BBEE an integral part of
**business philosophy, values
and operational activities**

b. Discussion on the other B-BBEE matters in the industry

In the context of the Broad-Based Black Economic Empowerment Act, 2003 (as amended), as well as the revised Codes of Good Practice on B-BBEE (“the Codes”), the casino industry is faced with challenges emanating from the regulatory framework within which the gambling industry operates. The overwhelming majority of PGRs have sought to impose conditions on the casino licences issued by them, to the effect that all licence holders should attain defined B-BBEE Contributor Level Statuses within fixed periods of time. This approach fundamentally offends against the key precepts of national government policy in relation to B-BBEE to the effect that compliance with the Codes is intended to be an integrated strategy which is assumed by business on a voluntary basis. The difficulty in the context of conditions of this nature is that the licence may be suspended or even revoked entirely if the specified B-BBEE related targets are not met within the stipulated timeframes, and in many cases this may occur as a result of factors entirely beyond the control of the licence holder, such as the transfer of shareholding, particularly where the licence holder is the subsidiary of a listed company.

In addition to the difficulties outlined above, different PGRs have also seen fit to impose additional B-BBEE- related licence conditions, over and above the requirements of the Codes. Examples of this are that, in the context of preferential procurement, the licence holder should procure a certain specified percentage of its goods and services from entities located within the relevant province.

If the holders of casino licences are required to allocate defined percentages of their procurement spend to local businesses, there is a significant risk that their own B-BBEE contributor statuses will drop significantly in the context of preferential procurement, unless those suppliers have themselves achieved high B-BBEE ratings, which will in turn negatively affect their ability to reach the various overall B-BBEE ratings stipulated by the PGRs.

Moreover, the imposition of licence conditions of this nature fails to take into account that the B-BBEE verification agencies which attend to the rating of CASA members will use only the provisions of the Codes as a reference point in performing such ratings. Therefore, in striving to comply with the licence conditions imposed by the different PGRs, CASA members will be obliged to apply two sets of mutually irreconcilable standards, with the result that compliance with one such standard will, in many if not all cases, preclude compliance with the other.

The above materially undermines the ability of CASA members to attain the objective of truly broad-based, holistic B-BBEE, in all its facets, in the manner intended by the national government, and stipulated in the Codes. In addition, the overriding objective of achieving uniformity across governmental bodies in relation to B-BBEE is sacrificed in the process.

A further complicating factor arises by reason of the fact that the Amended Tourism B-BBEE Sector Code (“Tourism Sector Code”) now lists casinos as being bound thereby.

In the absence of absolute clarity regarding the position, it may be that CASA members will be required to also be measured against the requirements of the Tourism Sector Code. This will create significant difficulties for CASA members, as the various PGRs require CASA members to be evaluated against the generic scorecard set up by the Codes, and are highly unlikely to accept B-BBEE verification certificates issued pursuant to the Tourism Sector Code.

Additionally, CASA members find themselves subject to no less than three different reporting obligations to be satisfied in relation to two different entities, namely one report to the Tourism Sector Council on compliance with the Tourism Sector Code, another to the relevant PGRs in respect of compliance with the generic scorecard, and a third, also to the PGRs, in respect of compliance with the B-BBEE-related conditions of licence which have been imposed by those PGRs, over and above the provisions of the Codes.

CASA is greatly concerned that the various challenges referred to above will persist unabated in the absence of complete clarity regarding the measurement and reporting obligations of its members. This will also materially undermine the ability of CASA members to attain the objective of truly broad-based, holistic B-BBEE, in all its facets, in the manner intended by the national government, and stipulated in the Codes. In addition, the overriding objective of achieving uniformity as across governmental bodies in relation to B-BBEE will continue to be sacrificed.



CASA members find themselves subject to no less than three different reporting obligations relating to B-BBEE

A close-up photograph of a man in a dark suit and light blue shirt, gesturing with his hands as if in a meeting or presentation. He is looking towards a woman whose profile is visible on the left side of the frame. The background is a plain, light-colored wall.

Corporate Social Investment & Sustainability

As a socially responsible sector, CASA members are fully committed to CSI as one of the cornerstones of their ethical business model. With CSI becoming ever more strategically focused, it also makes sense to align CSI spend with core business objectives and imperatives. Such an approach moves CSI out of the charitable sphere into one in which true partnerships with beneficiaries, Government and Non Governmental Organisations bring about long-term sustainable development for the benefit of all.

The collective efforts of CASA members support the entire scope from education, poverty alleviation, skills development, community upliftment, sports development and sponsorship, health care, altruistic infrastructural improvement, HIV treatment and assistance to those most in need, namely the young and elderly. In total, CASA members spent an amount of R134 million (excluding the NRGPs contributions which amounted to R16,7 million) during the year under review.



CASA members are
**fully committed
to CSI**



R134 million contribution
by the industry on social
upliftment

Corporate Social Investment & Sustainability (CSI)

Total spend on CSI in the following periods:

2015	134 389 911
2014	107 998 106
2013	101 711 016
2012	96 008 334
	<u>440 107 367</u>
GGR for 2015	17 018 844 238
CSI as a proportion of GGR	2.6%
2015	
Education	56 118 135
Community development	32 443 357
Health, welfare & HIV AIDS	15 157 006
Sports, arts and culture	8 797 253
Other CSI projects	21 874 161
Total	134 389 912

a. Education

The need for quality education in South Africa is a cause close to the hearts of CASA members, as they believe that education creates opportunities for upliftment of communities and that through education the course of a person's life can be radically changed for the better. The main contributions to education are contributions in the form of bursaries, empowering young people to create a brighter future for themselves.

b. Community development

CASA members are in integral part of the upliftment of the communities in which they operate. Contributions include public infrastructure initiatives, housing, community centres, refurbishment of schools, community upliftment, conservation and community trusts.

c. Health, welfare & HIV AIDS

CASA members are profoundly aware of the massive impact that HIV/Aids has on our society and for this reason health welfare remains an important focus for their CSI initiatives.

Projects include:

- HIV/AIDS workshops, testing and counselling
- Providing warm clothing to thousand children from disadvantaged local communities
- Cancer education, awareness and screening initiatives in the local community
- Renovations of clinics to donations of hospital equipment and nutritional supplements to patients on ARV treatments
- Primary health care, counselling, family planning and access to a registered psychologist on a 24-hour basis
- Occupational health medicals, monthly health and safety informative talks and posters and first aid box monthly checks and re-stock thereof

d. Sports, arts and culture

Determined to have a positive impact upon all aspects of society, the area of sports, arts and culture is also one that deserves CSI attention from CASA members. Members continue to support and fund various sports, arts and culture initiative in the country.

Projects include:

- Education, Arts, public speaking and Sports Academies
- Arts festivals
- The Apartheid Museum partnership
- Golf and cycling sponsorships



While we wish we could do more, we are content that our contributions toward making our communities better are making a difference.

e. Environmental sustainability

Environmental management practices have been integrated as part of our members operations. CASA members are committed to introducing initiatives that reduce the impact that they have on the environment and to encourage guests to embrace greener behaviour for the wellbeing of the environment. Their efforts to manage their business sustainably serve the interests of their business and the community.

CASA members have environmental and energy managers who are responsible for the implementation and monitoring of environmental performance against environmental targets set.

Member initiatives include:

- Sponsoring of trees for Arbour Day.
- Efforts in standardising recycling systems and volume monitoring.
- Environmental awareness in local communities to encourage a responsible attitude towards the use of electricity and water and the management of waste.



Regulatory Authorities in South Africa

Regulatory Authorities in South Africa

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