

Statement of financial performance

for the year ended 31 March 2020

	Note	Year ended 31 March 2020 R'000	Year ended 31 March 2019 Restated R'000
REVENUE		1 971 867	1 981 300
Revenue from non-exchange transactions		1 825 132	1 826 568
Fund revenue	1	1 825 132	1 826 568
Revenue from exchange transactions		146 735	154 732
Investment and interest income	2	141 997	136 190
Other operating income	3	4 738	10 572
Fair Value Adjustment – Investment	4	–	7 969
EXPENDITURE		(1 906 111)	(1 746 511)
Fair Value Adjustment – Investment	4	(9 256)	–
Grants allocated	5	(1 326 796)	(1 262 550)
Transfers to the NLC	6	(552 751)	(459 016)
Administrative expenses	7	(61)	(7 051)
Operating expenses	8	(17 246)	(17 893)
Surplus/(deficit) for the year		65 756	234 789

Statement of Financial Position

as at 31 March 2020

	Note	Year ended 31 March 2020 R'000	Year ended 31 March 2019 Restated R'000
ASSETS			
Non-current Assets			
Financial Assets - Long Term Investments	9	–	1 507 954
Current Assets			
Financial Assets - Short Term Investments	9	1 624 839	–
Trade and other receivables from exchange transactions	10	959	1 274
Trade and other receivables from non-exchange transactions	11	264 580	247 414
Cash and cash equivalents	12	184 067	209 724
		2 074 444	458 412
Total Assets		2 074 444	1 966 367
LIABILITIES			
Current Liabilities			
Provision for allocations by Distributing Agencies	13	329 901	287 517
Trade and other payables from non-exchange transactions	14	–	62
		329 901	287 579
Total Liabilities		329 901	287 579
Net Assets			
Accumulated Funds		1 744 543	1 678 787
Total Net Assets and Liabilities		2 074 445	1 966 367

Statement of Changes in Net Assets

for the year ended 31 March 2020

	Note	Accumulated Surplus R'000
Restated balance as at 31 March 2016		1 351 714
Restated surplus for the year		148 978
Restated surplus for the year reported in 2016/17		150 404
Prior period error	17	(1 426)
Restated balance as at 31 March 2017		1 500 692
Restated surplus for the year		(56 694)
Restated surplus for the year reported in 2017/18		(56 356)
Prior period error	17	(338)
Restated balance as at 31 March 2018		1 443 998
Restated surplus for the year		234 789
Surplus for the year reported in 2018/19		235 868
Prior period error	17	(1 079)
Restated balance as at 31 March 2019		1 678 787
Surplus for the year		65 756
Balance as at 31 March 2020		1 744 543

Statement of Cash Flows

as at 31 March 2020

	Note	Year ended 31 March 2020 R'000	Year ended 31 March 2019 R'000
Cash flow from operating activities			
Cash Receipts			
Cash received from Ithuba (RF)(Pty) Ltd and Participants Trust		1 838 688	1 800 398
Interest income		16 172	70 023
Cash received from beneficiaries and other parties		4 676	3 566
		1 859 535	1 873 987
Cash Payments			
Cash paid to Beneficiaries and other parties		(1 885 193)	(2 076 061)
		(1 885 193)	(2 076 061)
Net cash utilised in operating activities	15	(25 657)	(202 074)
Cash flow from investing activities			
Net redemption/(investment) of financial assets		-	210 075
Net cash flows generated from investing activities		-	210 075
Net increase in cash and cash equivalents		(25 658)	8 001
Cash and cash equivalent at the beginning of the year	12	209 724	201 723
Cash and cash equivalents at the end of the year	12	184 067	209 724

Statement of Comparison of Budget and Actual Amounts

for the year ended 31 March 2020

R'000	Approved budget	Adjustments	Final budget	Actual amounts	Difference: final budget and actual
Revenue					
Share of ticket sales	1 610 000	–	1 610 000	1 632 334	22 334
Investment and interest income	121 339	–	121 339	141 997	20 658
Revenue from Participant Trust	170 072	–	170 072	192 798	22 726
Revocations	20 000	–	20 000	20 143	143
Other operating income	1 000	–	1 000	4 738	3 738
Total revenue	1 922 411	–	1 922 411	1 992 010	69 598
Expenses					
Transfers to NLC	(560 609)	–	(560 609)	(552 751)	7 858
Administrative expenses	(65)	–	(65)	(61)	4
Fair Value Adjustment – Investment	–	–	–	(9 256)	(9 256)
Total expenditure	(560 674)	–	(560 674)	(562 068)	(1 395)
Available for Distribution to Grant Allocations					
Allocation of Grants	1 361 738	–	1 361 738	1 429 942	68 203
Allocation of Grants	(1 320 383)	(41 355)	(1 361 738)	(1 364 185)	(2 447)
Grant Allocations – Current Year	(1 303 357)	(41 355)	(1 344 712)	(1 346 939)	(2 227)
Professional fees	(17 026)	–	(17 026)	(17 246)	(220)
Surplus/(deficit) for the year	41 355	(41 355)	–	65 756	65 756

Line Item	Explanation of difference	Amount R'000
Share of ticket sales	There was an over performance in share of ticket sales of 1% as a result of good performance by Powerball, Powerball Plus and Lotto Plus during the financial year under review. The overall performance of Powerball was better than forecast as a result of major jackpots the game enjoyed.	22 334
Investment Income	Investment income overperformed as a result of interest income from current and call accounts which earned more interest due to higher cash balances in the accounts.	20 658
Fair Value Adjustment – Investment	The fair value adjustment is as a result of unfavourable market movements in investments.	(9 256)
Revenue from Participants Trust	The variance is due to more expiries from winners who did not claim prizes within the claim period of 365 days. The budget provision for expired and unclaimed prizes is conservative.	22 726
Other operating income	This relates to unused funds that were returned by beneficiaries when their projects were concluded.	3 738
Grant Allocations	The variance of 0,17% was attributable to Arts, Culture and National Heritage Distributing Agency which received a high number of applications during the 2019/20 financial year.	(2 227)
Revocations	The revocations were in line with budget provision	143
Operating expenses (Professional fees)	Variance is negligible	(220)
Transfers to NLC	The variance is mainly driven by the items below: Consulting fees – Some research projects were deferred to 2020/21 financial year. Outsource services - Some of the work related to ERP Oracle fusion, business enhancements for some of the modules on Fusion is expected to be completed in the 2020/21 financial year. Travel and Accommodation – The saving in travelling expenditure is mainly attributable to the National Indaba which has been deferred. Advertising and Publicity – The saving in travelling expenditure is mainly attributable to the National Indaba which has been deferred.	7 858

Summary of Significant Accounting Policies

as at 31 March 2020

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

1. Basis of Preparation

The annual financial statements have been prepared in accordance with South African Generally Recognized Accounting Practice (SA GRAP) as well as the Public Finance Management Act, Act No. 1 of 1999, as amended (PFMA). They have been prepared in accordance with the going concern principle using the historical cost basis except where otherwise stated in the accounting policies below.

The preparation of financial statements in conformity with SA GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying NLDTF's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are outlined in point 11 of the summary of significant accounting policies.

All monetary information and figures presented in these financial statements are stated in thousands of Rand (R' 000), unless otherwise indicated.

New standards, amendments and interpretations approved and not yet effective

Standard	Scope and potential impact	Effective date
GRAP 34: Separate Financial Statements	None	1 April 2020
GRAP 35: Consolidated Financial Statements	None	1 April 2020
GRAP 36: Investments in Associates and Joint Ventures	None	1 April 2020
GRAP 37: Joint Arrangements	None	1 April 2020
GRAP 38: Disclosure of Interest in Other Entities	None	1 April 2020
GRAP 104: Financial instruments		No Effective date has been determined by the Minister of Finance. Standards will be applied only upon determination of effective date by the Minister where applicable.
GRAP 110: Living and Non-living Resources	None	1 April 2020
iGRAP 20: Accounting for Adjustments to Revenue		1 April 2020

NLDTF did not apply any of the standards above. It is not expected that the above standards, amendments and interpretations will have any material impact on the NLDTF's financial statements on initial application where applicable.

2. Revenue recognition

Revenue is the gross inflow of economic benefits or service potential during the reporting period when these inflows result in an increase in net assets. Revenue is recognized when it is probable that future economic benefits will flow to the enterprise and these benefits can be measured reliably.

The NLDTF distinguishes between two forms of revenues namely revenue from exchange transactions and revenue from non-exchange transactions.

Revenue from exchange transactions is defined as revenue in which NLDTF receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to another entity or party in exchange.

Revenue from non-exchange transactions is defined as revenue in which NLDTF receives value from another entity or party without directly giving approximately equal value in exchange or gives value to another entity or party without directly receiving approximately equal value in exchange.

2.1 Investment income

Investment income comprises interest accrued from assets held at amortised cost and cash and cash equivalents. Interest is accounted for on an accrual basis using the effective interest rate method.

Summary of Significant Accounting Policies (continued)

as at 31 March 2020

2.2 Share of ticket sales

Revenue from share of ticket sales is accounted for on the accrual basis and is measured as a percentage of ticket sales as stipulated and agreed in the license agreement with the National Lottery Operator.

2.3 Expired and unclaimed prizes

Expired and unclaimed prizes relate to prizes in constituent lotteries (not being an Instant Lottery) for which remain unclaimed for a period of 365 days following the draw in which the prize was won as stipulated in the license agreement with the National Lottery Operator. Such monies are accounted for on an accrual basis. Payments of the funds are through the intermediation of the National Lotteries Participants Trust.

2.4 Interest from the National Lotteries Participants Trust

Any interest that remain in the National Lotteries Participant's Trust after deduction of the Participant's Trust costs are due to the NLDTF as stipulated in the Trust Deed of the National Lotteries Participant's Trust. These monies are accounted for on an accrual basis. Payments of the funds are through the intermediation of the National Lotteries Participants Trust.

3. Financial Assets

NLDTF classifies its financial assets in the following categories:

- financial assets at amortised cost
- financial assets at fair value

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

3.1 Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading

Financial assets carried at amortised cost, are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. These assets are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

NLDTF's investments are classified at amortised cost and consists of money market securities.

NLDTF will derecognize a financial assets when:

- (a) the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- (b) NLDTF transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- (c) NLDTF despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial assets at amortised cost consists of:

- investments;
- receivables from exchange transaction;
- receivables from non-exchange transaction;

Summary of Significant Accounting Policies (continued)

as at 31 March 2020

3. Financial Assets (continued)

3.2 Financial assets at fair value

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- (a) derivatives;
- (b) combined instruments that are designated at fair value in accordance with paragraphs 20 or 21 of GRAP 104;
- (c) instruments held for trading. A financial instrument is held for trading if:
 - (i) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - (ii) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition in accordance with paragraph 17; and
- (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets at fair value consists of cash and cash equivalents and the equity intrinsic value of investments (refer to note 5)

Financial Assets at fair value will be initially recognized is at fair value. A gain or loss arising from a change in the fair value of a financial asset measured at fair value shall be recognized in surplus or deficit.

4. Impairment of assets

4.1 Financial assets carried at amortised cost

NLDTF assesses at each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence includes one or more of the following events:

- significant financial difficulty of the issuer or debtor
- a breach of contract, such as default or delinquency in payments
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation
- the disappearance of an active market for that financial asset because of financial difficulties
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in NLDTF, including:
 - adverse changes in the payment status of issuers or debtors of NLDTF
 - national or local economic conditions that correlates with defaults on the assets of NLDTF

NLDTF first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If NLDTF determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as improved credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

Summary of Significant Accounting Policies (continued)

as at 31 March 2020

4. Impairment of assets (continued)

4.2 Impairment of other non-financial assets

Assets, including intangible assets, that are subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Such indicators include continued losses, changes in technology, market, economic, legal and operating environments.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is measured using the higher of the fair value less costs to sell and the value-in-use. Value-in-use is the present value of projected cash flows covering the remaining useful life of the asset. An impairment charge is recognized as a loss in profit or loss immediately.

5. Cash and cash equivalents

Cash and cash equivalents comprise:

- cash in hand
- deposits held at call and short notice
- balances with banks

Cash and cash equivalents only include items held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. It comprises cash in hand and deposits held at call with respective banks. Cash and cash equivalents have a maturity of less than three months. Cash and cash equivalents are classified as financial assets at fair value and are carried at cost which due to their short-term nature approximates fair value.

6. Financial risk management

The NLDTF's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Board manages these risks through quarterly reporting of risk management

6.1 Market risk

The NLDTF's activities do not expose it to a significant amount of market risk. Therefore no formal policies have been developed to guard against market risk.

6.2 Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to outstanding receivables and committed transactions. For banks and financial institutions, only banks approved by the Minister of Finance are used.

The NLDTF also follows regulations issued by National Treasury to manage its exposure to credit risk.

6.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents to meet the daily demands of the operations.

Management monitors daily balances of cash and cash equivalents as well as investment accounts to ensure that enough funds are available to meet the needs of operations.

7. Provisions

Provisions are recognized when, as a result of past events, NLDTF has a present legal or constructive obligation of uncertain timing or amount, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured as the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money. The increase in the provision due to the passage of time is recognized as interest expense.

Summary of Significant Accounting Policies (continued)

as at 31 March 2020

8. Contingent liabilities

NLDTF discloses a contingent liability when:

- it has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- it has a present obligation that arises from past events but not recognized because
 - it is not probable that an outflow of resources will be required to settle an obligation or
 - the amount of the obligation cannot be measured with sufficient reliability.

A contingent liability is not recognized in the financial statements, however it is disclosed unless the probability of an outflow of economic benefits is remote.

9. Allocation of grants

Allocations are accounted for when applications for assistance from individual organisations are considered and grants are unconditionally awarded by the respective distributing agencies.

Revocations will be triggered if there is a breach of Grant Agreement, voluntary cancellation of the Grant Agreement by the funded organisation due to various reasons; cancellation due to identification and/or determination of irregularities from the organisation.

10. Comparison of the approved budget and actual amounts

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives. The approved budget covers the financial year from 2019/04/01 to 2020/03/31. The budget for the economic entity includes all the entities approved budgets under its control. The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period has been included in the statement of comparison of budget and actual amounts.

11. Critical accounting estimates and judgements in applying accounting policies

Assumptions and estimates form an integral part of financial reporting and have an impact on the amounts reported. Assumptions are based on historical experience and expectations of future outcomes and anticipated changes in the environment. Assumptions are further regularly reviewed in the light of emerging events and adjusted where required.

11.1 Provision for allocation by Distributing Agencies

Allocations are accounted for when applications for assistance from individual organisations are considered and grants are unconditionally awarded by the respective distributing agencies.

Disclosures are made for those organisations which were funded by the NLDTF in which Distributing Agencies may have significant interest in. Disclosures made include payments, allocations in the current year and outstanding amounts outstanding at year end. The impact of the COVID-19 pandemic has resulted in the NLC only paying projects that are implementable under the varying lockdown alert levels. The extent of the lockdown cannot be reliably estimated however the financials have been presented on the basis that management has made an assessment that the majority of the funded organisations would be in a position to implement funded projects six months after the year end.

11.2 Contingent Liability

Contingent liabilities are not recognised in the financial statements, but are disclosed in the notes to the financial statements unless the probability of occurrence is remote.

11.3 Provision for doubtful debts

A provision for doubtful debt is raised in instances where there are indications that the debt may not be recoverable from the debtor. The assessment of recoverability is done on a individual debt basis.

11.4 Beneficiaries Written Off

Beneficiaries written off are those beneficiaries where all avenues for recovery have been completely exhausted and the outstanding debts are considered not recoverable.

Summary of Significant Accounting Policies (continued)

as at 31 March 2020

12. Irregular Expenditure

Irregular Expenditure means expenditure incurred in contravention of, or not in accordance with a requirement of any applicable legislation, including:

- The PFMA,
- the Treasury Regulations;
- a National Treasury Instruction, issued in terms of section 76 of the PFMA; or
- Any legislation providing for procurement procedures

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

When confirmed, irregular expenditure must be recorded in the notes to the financial statements. The amount to be recorded in the notes must be equal to the value of the irregular expenditure incurred unless it is impracticable to determine the value thereof. Where such impracticality exists, the reasons therefore must be provided in the notes. Irregular expenditure must be removed from the notes when it is either (a) condoned by the National Treasury or the relevant authority; (b) it is transferred to receivables for recovery; or (c) it is not condoned and is irrecoverable. A receivable related to irregular expenditure is measured at the amount that is expected to be recovered and must be de-recognized when the receivable is settled or subsequently written off as irrecoverable. Any irregular expenditure is charged against income in the period in which it is incurred.

13. 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.

As a minimum, the following are regarded as related parties of the reporting entity:

- (a) A person or a close member of that person's family related to the reporting entity if that person:
 - (i) has control or joint control over the NLDTF;
 - (ii) has significant influence over the NLDTF or

Related party transactions are transfers of resources, services or obligations between the NLDTF and a related party, regardless of whether a price is charged.

14. Financial Liabilities

NLDTF classifies its financial liabilities in the following category:

- financial liabilities at amortised cost

14.1 Financial liabilities at amortised cost

Financial liabilities at amortised cost are non-derivative financial assets that have fixed or determinable payments, excluding those liabilities that:

- the entity designates at fair value at initial recognition; or
- are held for trading

Financial liabilities carried at amortised cost, are initially recognized at fair value plus transaction costs that are directly attributable to the issue of the financial liability.

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities at amortised cost consists of:

- Provision for allocation by Distributing Agencies;
- Trade and other payables from non-exchange transactions;

A gain or a loss is recognized in surplus or deficit when the financial liability is derecognised or through the amortization process.

NLDTF derecognises a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished – i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

Notes to the financial statements

for the year ended 31 March 2020

	Year ended 31 March 2020 R'000	Year ended 31 March 2019 R'000
1. Fund Revenue		
Share of ticket sales	1 632 334	1 626 291
Interest earned on unclaimed and expired prizes – National Lotteries Participant Trust	12 751	13 285
Expired and unclaimed prizes	180 047	186 993
	1 825 132	1 826 568
2. Investment and interest income		
Interest from call and current accounts	15 857	4 608
Investment income	126 140	131 582
	141 997	136 190
3. Other operating revenue		
Sundry income*	4 488	3 467
Movement in the provision for doubtful debt	250	7 105
	4 738	10 572
<i>* Sundry income mainly consists of unspent amounts returned by beneficiaries.</i>		
4. Fair value adjustment – Investment		
Fair value adjustment – Investment	(9 256)	7 969
	(9 256)	7 969
Fair value is a rational and unbiased estimate of the potential market price of the investment. The fair value adjustment relates to the equity-linked note investments.		
5. Allocation of grants		
Current year allocations	1 346 939	1 311 277
Revocations	(20 143)	(48 726)
	1 326 796	1 262 550
6. Transfers and subsidies paid to NLC		
Payments from fund in respect of expenses	552 751	459 016
	552 751	459 016
7. Administrative expenses		
Bank Charges	61	89
Debtors written off	–	6 955
Management fees	–	7
	61	7 051
Debtors written off mainly relates to funds which were written off mainly due to prescription period.		
8. Operating expenditure		
Professional fees	17 246	17 893
	17 246	17 893

Notes to the financial statements (continued)

for the year ended 31 March 2020

	Year ended 31 March 2020 R'000	Year ended 31 March 2019 R'000
9. Financial assets		
Investment in financial assets are summarised by measurement category below:		
Financial assets at amortised cost:		
– Capital market securities	1 100 000	1 100 000
– Accrued interest	534 095	398 698
Financial assets at fair value		
– Equity Intrinsic Value	–	9 256
Fair value adjustment to equity intrinsic value	(9 256)	–
Total investment	1 624 839	1 507 954
Current	1 624 839	–
Non-current	–	1 507 954
	1 624 839	1 507 954
Maturity profile:		
Funds are invested at fixed interest rates which vary per institution. The capital market securities comprise investments that are more than 12 months. The weighted average yield to maturity in the 2019 financial year was 8.42%. Equity intrinsic value is a result of fair value adjustments on the equity linked investments. Fair value is a rational and unbiased estimate of the potential market price of the investment. The fair value adjustment relates to the equity intrinsic value in the equity linked instrument. The strike price for participation in the equity linked note is an All Share Index Top 40 (ALSI) of 46 979,67 and the ALSI as at 31 March 2020 was 40 738,57		
10. Trade and other receivables		
Trade and other receivables from exchange transactions:		
Accrued income	959	1 274
– Interest receivable on current and call accounts	959	1 274
Claims from beneficiaries	–	–
– Gross amount claimed	1 181	1 431
– Provision for doubtful claim recovery from beneficiaries	(1 181)	(1 431)
Total	959	1 274
Current	959	1 274
Non-current	–	–
	959	1 274
11. Trade and other receivables from non-exchange transactions:		
Accrued income		
– Interest Receivable from National Lotteries Participants Trust	4 188	21 591
– Expired and unclaimed prizes - National Lotteries Participant Trust	53 405	46 440
– Accounts receivable: NLC	173 557	142 835
– Share of ticket sales	33 430	36 548
Total	264 580	247 414
Current	264 580	247 414
	264 580	247 414

Notes to the financial statements (continued)

for the year ended 31 March 2020

	Year ended 31 March 2020 R'000	Year ended 31 March 2019 R'000
12. Cash and cash equivalents		
Cash at bank – current account	64 067	29 724
Cash at bank – call account	120 000	180 000
Total cash at bank	184 067	209 724
None of the cash balances are pledged or secured.		
13. Provision for allocation by Distributing Agencies		
Opening balance	287 517	582 132
Additional provision made during the period (including increases to existing provisions)	1 346 939	1 311 277
Payments made during the period	(1 284 412)	(1 557 165)
Revocations	(20 143)	(48 726)
Closing balance	329 901	287 517
Current	329 901	287 517
	329 901	287 517
Payments refers not only to payments against current year allocations but also to payments relating to commitments owing from previous financial years. Payments against prior year balance are in accordance with duly signed grant agreements. The impact of the COVID-19 pandemic has resulted in the NLC only paying projects that are implementable under the varying lockdown alert levels. The extent of the lockdown cannot be reliably estimated however the financials have been presented on the basis that management has made an assessment that the majority of the funded organisations would be in a position to implement funded projects six months after the year end.		
14. Trade and other payables from non-exchange transactions		
Unallocated funds	–	62
	–	62
15. Cash flow information		
Cash generated by operations		
Surplus/(deficit) per the statement of financial performance	65 756	234 789
Adjusted for:		
Non-cash items:		
Provision for bad debts	(250)	(7 105)
Debtors written off	–	6 955
Fair value adjustment – Investment	9 256	(7 969)
	74 762	226 670
Working capital changes		
– (Increase)/Decrease in Trade and other receivables	(142 742)	(134 131)
– Increase/(Decrease) in Provision for allocation of Distribution Agency	42 384	(294 614)
– Increase/(Decrease) in Trade and other payables	(62)	–
	(25 657)	(202 074)

Notes to the financial statements (continued)

for the year ended 31 March 2020

16. Management of Financial Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and investment return. Market risk that could impact on future cash flows and hence the value of a financial instrument arise from:

- Interest rate risk: The impact of changes in market interest rates.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Liquidity risk is the risk that NLDTF will encounter difficulty in meeting obligations associated with financial liabilities due to insufficient cash being available to meet commitments as and when they become due.

Financial risks are managed by NLDTF as follows:

- Review by the internal auditors of compliance with policies and exposure limits on a continual basis and regularly reporting to the Board Audit and Risk Committee;
- Monitoring forecast and accrual cash flows and matching the maturity profiles of financial assets and liabilities.

To assist in the analysis of the financial risks that NLDTF is exposed to, the statement of financial position has been divided into the following categories:

- Financial assets and liabilities;
- Non-financial assets and liabilities.

	Total R'000	Financial Assets and Liabilities R'000
As at 31 March 2020		
Financial assets at amortised cost:		
Unlisted:		
– Capital market securities	1 624 839	1 624 839
– Trade and other receivables from exchange transactions	959	959
– Trade and other receivables from non-exchange transactions	264 580	264 580
Financial assets at fair value:		
– Cash and cash equivalents	184 067	184 067
Total Assets	2 074 444	2 074 444
Financial liabilities at amortised cost:		
Provision for allocation by Distributing Agencies	329 901	329 901
Total liabilities	329 901	329 901
As at 31 March 2019 (Restated)		
Financial assets at amortised cost:		
Unlisted:		
– Capital market securities	1 498 698	1 498 698
– Trade and other receivables from exchange transactions	1 274	1 274
– Trade and other receivables from non-exchange transactions	247 414	247 414
Financial assets at fair value:		
Cash and cash equivalents	209 724	209 724
Equity intrinsic value	9 256	9 256
Total Assets	1 966 366	1 966 366
Financial liabilities at amortised cost:		
Provision for allocation by Distributing Agencies	287 517	287 517
Trade payables from non-exchange transactions	62	62
Total liabilities	287 579	287 579

Notes to the financial statements (continued)

for the year ended 31 March 2020

16. Management of Financial Risk (continued)

16.1 Financial assets and liabilities

The NLDTF is exposed to financial risk through the following financial assets and liabilities

	Year ended 31 March 2020 R'000	Year ended 31 March 2019 Restated R'000
Financial assets at amortised cost:		
Unlisted:		
– Capital market securities	1 624 839	1 498 698
– Trade and other receivables from exchange transactions	959	1 274
– Trade and other receivables from non-exchange transactions	264 580	247 414
Financial assets at fair value:		
– Cash and cash equivalents	184 067	209 724
– Equity intrinsic value	–	9 256
Total financial assets	2 074 444	1 966 366
Financial liabilities at amortised cost:		
Provision for allocation by Distributing Agencies	329 901	287 517
Total financial liabilities	329 901	287 517

16.1.1 Market risk

- (a) Interest rate and market indices risk

Sensitivity to changes in interest rates and market indices relevant to financial assets or financial liabilities due to the risk that future cash flows will fluctuate. The Company and Group invests in instruments that preserve capital are subject to participation of equity based on the performance of the All Share Index Top 40 (ALSI). The strike price for equity participation is an ALSI 46 979,67. As at 31 March 2020 the ALSI was 40 738,57. This impacts the future cashflows the organisation is expected to realise.

The table below details the specific interest rate risk that the NLDTF is exposed to:

	Carrying amount R'000	Fixed R'000	Floating R'000	Non- interest bearing R'000
As at 31 March 2020				
Financial assets at amortised cost:				
Unlisted:				
– Capital market securities	1 624 839	1 624 839	–	–
– Trade and other receivable from exchange transactions	959	–	–	959
– Trade and other receivable from non-exchange transactions	91 023	–	–	91 023
Financial assets at fair value:				
– Cash and cash equivalents	184 067	–	184 067	–
– Equity intrinsic value	–	–	–	–
Total financial assets	1 900 887	1 624 839	184 067	91 982
Financial liabilities at amortised cost:				
Provision for allocation by Distributing Agencies	329 901	–	–	329 901
Total financial liabilities	329 901	–	–	329 901

Notes to the financial statements (continued)

for the year ended 31 March 2020

16. Management of Financial Risk (continued)

16.1 Financial assets and liabilities (continued)

16.1.1 Market risk (continued)

	Carrying amount R'000	Fixed R'000	Floating R'000	Non- interest bearing R'000
As at 31 March 2019				
Financial assets at amortised cost:				
Unlisted:				
– Capital market securities	1 498 698	1 498 698	–	–
– Trade and other receivable from exchange transactions	1 274	–	–	1 274
– Trade and other receivable from non-exchange transactions	104 579	–	–	104 579
Financial assets at fair value:				
– Cash and cash equivalents	209 724	–	209 724	–
– Equity intrinsic value	9 256	–	–	9 256
Total financial assets	1 823 531	1 498 698	209 724	115 109
Financial liabilities at amortised cost:				
Provision for allocation by Distributing Agencies	287 517	–	–	287 517
Total financial liabilities	287 517	–	–	287 517

16.1.2 Credit risk

Key areas where NLDTF is exposed to credit risk:

- Financial investments comprising Money Market instruments entered into to invest surplus funds
- Cash and cash equivalents

The Company and Group is exposed to credit risk in a form of equity market instruments that are invested with the various institutions. As at 31 March 2020 Fitch downgraded financial institutions to a rating of B+ with a negative outlook. NLC aligned the disclosure inline with the decision by the rating agency.

	Total R'000	A BB- B+ R'000	BBB+ BBB- R'000	BB+ BB- R'000	B+ B- R'000	Not rated R'000
As at March 2020						
Financial assets at amortised cost:						
Unlisted:						
– Capital market securities	1 624 839	–	–	–	1 624 839	–
Financial assets at fair value:						
– Cash and cash equivalents	184 067	–	–	–	184 067	–
	1 808 905	–	–	–	1 808 905	–
As at March 2019						
Financial assets at amortised cost:						
Unlisted:						
– Capital market securities	1 498 698	–	–	–	1 498 698	–
Financial assets at fair value:						
– Cash and cash equivalents	209 724	–	–	–	209 724	–
– Equity intrinsic value	9 256	–	–	–	9 256	–
	1 717 678	–	–	–	1 717 678	–

Notes to the financial statements (continued)

for the year ended 31 March 2020

16. Management of Financial Risk (continued)

16.1 Financial assets and liabilities (continued)

16.1.2 Credit risk (continued)

	31 March 2020 R'000	31 March 2019 R'000
Credit risk relating to receivables		
National Lotteries Participants Trust	57 593	68 031
Ithuba Holdings (Pty) Ltd	33 430	36 548
Interest receivable on current and call accounts	959	1 274
	91 982	105 853

The ageing of the components of trade and other receivables was as follows:

	Gross 31 March 2020 R'000	Impairment 31 March 2020 R'000	Gross 31 March 2019 R'000	Impairment 31 March 2019 R'000
Within a year	91 982	–	105 853	–
Later than one year	1 181	(1 181)	1 431	(1 431)
Total	93 163	(1 181)	107 284	(1 431)

The movement in the provision for impairment during the year was as follows:

	31 March 2020 R'000	31 March 2019 R'000
Balance at the beginning of the year	1 431	8 536
Movement in provision	(250)	(7 105)
Balance at the end of the year	1 181	1 431

Interest receivable on current and call accounts were erroneously omitted in the prior year disclosure.

16.1.3 Liquidity risk

The table below analyses the NLDTF's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	Total R'000	Within a year R'000
As at March 2020		
Provision for allocation by Distributing Agencies	329 901	329 901
Total	329 901	329 901
At 31 March 2019		
Provision for allocation by Distributing Agencies	287 517	287 517
Total	287 517	287 517

The impact of the COVID-19 pandemic has resulted in the NLC only paying projects that are implementable under the varying lockdown alert levels. The extent of the lockdown cannot be reliably estimated however the financials have been presented on the basis that management has made an assessment that the majority of the funded organisations would be in a position to implement funded projects six months after the year end.

Notes to the financial statements (continued)

for the year ended 31 March 2020

17. Prior period error

During the current financial year errors were identified relating to the prior years. The nature of the errors are as follows:

- During the current financial year it was discovered that unused funds amounting to R51 096.03 were erroneously posted in accounts payable instead of sundry income in 2018/19 financial year.
- During the current financial year it was discovered that there was an over withdrawal of R149 198 for a certain project in 2018/19.
- During the current financial year it was discovered that there were revocations amounting to R1 426 378, R338 000 and R981 289.90 respectively for 2016/17, 2017/18 and 2018/19 that were erroneously revoked.

The financial statements have been retrospectively restated.

The impact of the error are as follows:

	2018/19 R'000	2017/18 R'000	2016/17 R'000
- Increase/(Decrease) in Other Operating Income	51	-	-
- (Increase)/Decrease in Allocations	(1 130)	(338)	(1 426)
- Increase/ (Decrease)in Statement of Financial Performance	(1 079)	(338)	(1 426)
- (Increase)/Decrease in Provision for allocation by distributing agencies	(1 079)	(338)	(1 426)
- Increase/(Decrease) in Net Assets	(1 079)	(338)	(1 426)

18. Contingent Liabilities

The claims against NLDTF relate to pending cases against NLDTF by organisations.

	31 March 2020 R'000	31 March 2019 R'000
Claims against the NLDTF	-	-
Contingent liability at the end of the year	-	-

19. Contingent Asset

During the current financial year the Board determined that Ithuba breached clause 19 of the Licence condition whereby Ithuba incorrectly promoted a jackpot about to expire in the amount of R2 803 073.62 on 13 February 2019 even though the jackpot was previously claimed by a valid winner. During July 2020, the Board considered Ithuba's representations and concluded that there was no justification for the failure to satisfy requirements of the Licence Agreement, therefore a penalty of R2 803 073.62 was imposed by the Board. In terms of the Licence Agreement the operator may make further representation and therefore a contingent asset has been disclosed to this effect.

20. Taxation

The National Lottery Distribution Trust Fund is exempt from income tax in terms of Section 10(1)(cA) of the Income Tax Act, 1962.

Notes to the financial statements (continued)

for the year ended 31 March 2020

21. Events after reporting period

21.1 COVID-19 Implications

At the time of preparing the annual financial statements the existence of novel coronavirus (COVID-19) was confirmed and had been spreading rapidly across the globe. During this outbreak, protecting the health and well-being of our staff and other key stakeholders is at the centre of our response plans. NLC has activated its business continuity plan to ensure NLC continues to function and deliver on its mandate even under these unforeseen conditions. The NLC has implemented appropriate mitigating strategies and initiatives to address risks identified as consequence.

The impact of the Pandemic and the expected loss in revenue for the 2020/21 financial year has resulted in the organisation reviewing its Annual Performance plan and divisional functional strategies. This process involved the re-prioritization of targets in the current year to the available resources.

NLC has assessed the impact of the COVID-19 virus on its results. It is not certain to what extent the economy will recover during 2020 however, even when the worst case scenario is applied to forecasted figures, there is no doubt regarding the ability of NLC to continue as a going concern for 12 months after financial year end, i.e. 1 April 2020 to 31 March 2021. The above would not impact NLC's ability to pay its debts as they become due or create any uncertainty with regards to NLC ability to continue as a going concern. Other than those mentioned below, there are no other material facts or circumstances which occurred between the end of the reporting period and the date when the financial statements are authorised for issue that would require adjustment or disclosure in the financial statements.

21.2 Extension of Winners Prize Claim Period

During July 2020, the Board approved to grant a concession to allow for all prize claims that expire during lockdown, for all levels of lockdown, to be paid until 31 October 2020 or one calendar month after the end of lockdown, whichever date comes last. This impacted the Annual financial statements and a downward adjustment of R3 485 553 in revenue and accounts receivable to reflect this.

22. Comparison of Approved Budget and Final Budget

The budget and the accounting bases are the same; both are on the accrual basis. The financial statements and the budget are prepared using a classification on the nature of expenses in the statement of financial performance. The approved budget covers the period from 1 April 2019 to 31 March 2020.

	Approved Budget R'000	Final Budget R'000	Adjustments R'000	Reason for Adjustments
Share of ticket sales	1 610 000	1 610 000	–	No Adjustment to budget
Investment and interest income	121 339	121 339	–	No Adjustment to budget
Revenue from National Lotteries Participant Trust	170 072	170 072	–	No Adjustment to budget
Revocations	20 000	20 000	–	No Adjustment to budget
Other operating income	1 000	1 000	–	No Adjustment to budget
Grant Allocations				The adjustment is as a result of surplus funds that were available for grants allocations in terms of the Lotteries Act
	(1 303 357)	(1 344 712)	(41 355)	
Professional fees	(17 026)	(17 026)	–	No Adjustment to budget
Administrative expenses	(65)	(65)	–	No Adjustment to budget
Transfers to NLC	(560 609)	(560 609)	–	No Adjustment to budget

Notes to the financial statements (continued)

for the year ended 31 March 2020

23. Related Party Transactions

The NLC is a regulator of the National Lottery, other lotteries and sports pools. Ithuba Holdings (RF) (Pty) Ltd is a private company that currently operates the National Lottery under licence from the Government. The Operator pays a share of ticket sales to the NLDTF in terms of the licence agreement. These proceeds are destined for good causes as specified in the Lotteries Act. The NLC administers the NLDTF and accounts for all running costs. The NLC withdraws the necessary funds required from the NLDTF, based on an overall annual budget approved by the Minister of Trade and Industry and Competition. The National Lotteries Participants Trust (NLPT) was established by the Lottery Operator [herein Ithuba Holdings RF (Pty) Ltd] in terms of the licence agreement between the dtic, NLC and the Lottery Operator. The main objective of the NLPT is to hold monies in the Trust on behalf of Ithuba for prize winners and monies for advance plays.

	Year ended 31 March 2020 R'000	Year ended 31 March 2019 Restated R'000
23.1 Transactions between the NLDTF and other parties		
23.1.1 Ithuba Holdings (Pty)Ltd		
Revenue from Ithuba Holdings (Pty) Ltd	1 632 334	1 626 291
Add: Trade and other receivables from non-exchange transactions (Opening)	36 548	24 745
Less: Trade and other receivables from non-exchange transactions (Closing)	(33 430)	(36 548)
Cash proceeds	1 635 452	1 614 487
23.1.2 Entity under common control		
National Lottery Participant Trust (NLPT)		
Revenue from NLPT	192 798	200 278
Add: Trade and other receivables from non-exchange transactions (Opening)	68 031	53 664
Less: Trade and other receivables from non-exchange transactions (Closing)	(57 593)	(68 031)
Cash proceeds	203 236	185 910
23.1.3 Controlling Entity		
The NLC is a controlling entity of the NLDTF. The NLDTF is administered by the NLC as stipulated in section 21 of the National Lotteries Act (as amended)		
Transfers to NLC	(552 751)	(459 016)
Add: Trade and other receivables from non-exchange transactions (Opening)	142 835	100 892
Less: Trade and other receivables from non-exchange transactions (Closing)	(173 557)	(142 835)
Cash proceeds	(583 473)	(500 958)

Notes to the financial statements (continued)

for the year ended 31 March 2020

24. Provision for Allocation by Distributing Agencies

It is the duty of the Distributing Agency Members to adjudicate applications for funding within their respective sectors. Members who have a conflict that may impact the ability to adjudicate impartially do not adjudicate on the projects, as they recuse themselves whilst these projects are being adjudicated. Listed below are balances and transactions with those organisations which were funded by the NLDTF and in which Distributing Agencies have significant interest.

Sector	Name of beneficiary	Distributing agency member	Nature of relationship	Amount granted 2019/20 R'000	Payments 2019/20 R'000	Revocations 2019/20 R'000	Amount owing 2019/20 R'000	Amount owing 2018/19 R'000
SRDA	Athletics South Africa	Dr Adams	Dr Adams: Deputy President of ASA	14 000	8 800	-	5 200	-
SRDA	Athletics Free State	Mr Skhosana and Dr Adams*	Mr Skhosana: President of ASA Dr Adams: Deputy President	-	500	-	-	500
SRDA	Athletics Mpumalanga	Mr Skhosana and Dr Adams	Mr Skhosana: President of ASA Dr Adams: Deputy President	-	-	-	500	500
SRDA	Boland Athletics Western Cape	Dr Adams	President of the organisation	-	-	-	311	311
SRDA	Eastern Provincial Athletics	Mr Skhosana and Dr Adams	The Eastern Provincial Athletics is affiliated to Athletics South Africa which Mr Skhosana is the president and Dr Adams is the Deputy President	-	200	-	-	200

In the instances below members have relatively significant interest even though the interest did not amount to significant control. These have been disclosed for prudence.

SRDA	MAVU	Ms M Ravele and Ms A Hill*	Ms M.E Ravele and Ms A Hill (Chairperson of Assisted Organisation – South African Women and Sports Foundation)	-	2 000	-	-	2 000
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* Terms ended on 31 March 2019