

Statement of financial performance

for the year ended 31 March 2020

	Note	31 March 2020 R'000	31 March 2019 R'000
REVENUE			
Revenue from exchange transactions			
Interest received	5	5 358	5 015
EXPENDITURE			
Goods and services	6	(2 073)	(1 870)
Administrative expenses	7	(3 285)	(3 146)
Surplus for the year		-	-

Statement of financial position

for the year ended 31 March 2020

	Note	31 March 2020 R'000	31 March 2019 R'000
ASSETS			
Current assets			
Trade and other receivables – from exchange transactions	1	1 258	1 677
Trade and other receivables – from non-exchange transactions	1	9 132	5 115
Prepayments	2	73	69
Cash and cash equivalents	3	307 446	343 900
Total assets		317 909	350 761
LIABILITIES			
Current liabilities			
Trade and other payables – from exchange transactions	4	408	269
Trade and other payables – from non-exchange transactions	4	317 500	350 492
Total liabilities		317 908	350 761
Net assets			
Accumulated funds: Ithuba Holdings (RF) (Pty) Ltd		1	1
Total net assets and liabilities		317 909	350 762

Statement of changes in net assets

for the year ended 31 March 2020

	Accumulated Surplus R'000
Balance as at 31 March 2018	1
Surplus for the year – 31 March 2019	–
Balance as at 31 March 2019	1
Surplus for the year ended 31 March 2020	–
Balance as at 31 March 2020	1

Statement of cash flows

for the year ended 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 Holdings (RF) (Pty) Ltd and other parties		381 264	311 877
Interest received		18 530	18 218
		399 793	330 095
Cash payments			
Cash paid to NLDTF, Ithuba Holdings (RF) (Pty) Ltd and other parties		(436 248)	(309 913)
		(436 248)	(309 913)
Net cash generated/(utilised) from operating activities	8	(36 455)	20 182
Net (decrease)/increase in cash and cash equivalents		(36 454)	20 182
Cash and cash equivalents at the beginning of the year	3	343 900	323 718
Cash and cash equivalents at the end of the year	3	307 446	343 900

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 and income					
Interest received	3 914	–	3 914	5 358	1 444
Total revenue and income	3 914	–	3 914	5 358	1 444
Expenses					
Goods and services	(960)	–	(960)	(2 073)	(1 113)
Administrative expenses	(2 954)	–	(2 954)	(3 285)	(331)
Total expenditure	(3 914)	–	(3 914)	(5 358)	(1 444)
Surplus/(deficit) for the year	–	–	–	–	–

Account	Explanation of difference	Amount R'000
Interest received	The interest rate is determined by the market ruling rates and funds in the bank.	1 444
Goods and services	There was an under-budget for audit fees and legal fees were not budgeted for.	(1 113)
Administrative expenses	The budget erroneously did not include provision for annual increment of administration fees.	(331)

Summary of significant accounting policies

for the year ended 31 March 2020

The principal accounting policies applied in the preparation of these separate 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 Standards of Generally Recognised Accounting Practice (GRAP). 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 GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying National Lotteries Participants Trust's 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	None	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	None	1 April 2020

National Lotteries Participants Trust 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 National Lotteries Participants Trust'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 recognised when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably.

The NLPT 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 NLPT 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 NLPT 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 Interest received

Investment income comprises interest received 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. Interest received is realised to the extent of expenses incurred.

Summary of significant accounting policies (continued)

for the year ended 31 March 2020

3. Financial assets

NLPT 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 carried at amortised cost, are initially recognised 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.

Financial assets at amortised cost consists of:

- Trade and other receivables from exchange transactions

NLPT will derecognise a financial assets when:

- (a) the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- (b) NLPT transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- (c) NLPT 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.

3.2 Financial liabilities

National Lotteries Participants Trust classifies its financial liabilities in the following category:

- financial liabilities at amortised cost.

3.2.1 Financial liabilities at amortised cost

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

Financial liabilities at amortised cost consists of:

- Trade and other payables.

4. Cash and cash equivalents

Cash and cash equivalents comprise balances with:

Nedbank Private Wealth (Pty) Ltd – Advance and Online Play account

Nedbank Private Wealth (Pty) Ltd – Expired account

Nedbank Private Wealth (Pty) Ltd – Interest account

Nedbank Private Wealth (Pty) Ltd – Prize Money account

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 on hand and deposits held at call with respective banks. Cash and cash equivalents have a maturity of less than three months and are classified as financial assets at fair value and are carried at cost which due to their short-term nature approximates fair value.

Summary of significant accounting policies (continued)

for the year ended 31 March 2020

5. Financial risk management

The National Lotteries Participants Trust's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. These risks are managed by the Trustees and Audit and Risk Committee

5.1 Market risk

The National Lotteries Participants Trust'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.

5.2 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.

5.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents to meet the demands of the operations. The Trust monitors quarterly balances of cash and cash equivalents to ensure that enough funds are available to meet the needs of the operation.

6. Trade and other payables

Trade payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers as well as obligations due to the beneficiaries – National Lotteries Players and the NLDTF and the licensee – Ithuba Holdings (RF) (Pty) Ltd and National Lottery Winners. Accounts payable are classified as current liabilities as they are due and payable within one year or less from the reporting date. No non-current liabilities exist at reporting date. Trade payables are recognised at amortised cost.

- National Lotteries Participants Trust: Expired Funds and Net Interest Income due to the National Lotteries Participants Trust
- Advance Sales due Winners and due to Ithuba Holdings (RF) (Pty) Ltd: Advanced players
- Unclaimed funds – Ithuba Holdings (RF) (Pty) Ltd: Funds due to players.
- Unclaimed funds – Ithuba Holdings (RF) (Pty) Ltd: Funds due to Licensee

7. Trade and other receivables

Trade receivables are in respect of interest accrued and/or funds due from the Licensee – Ithuba Holdings (RF) (Pty) Ltd in respect of unclaimed funds and prizes. Accounts receivable are classified as current assets as they are due and receivable within one year or less from reporting date. No non-current assets exist at reporting date. Trade receivables are recorded at amortised cost.

8. 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:

- Ithuba Holdings (RF) (Pty) Ltd
- The National Lotteries Distribution Trust Fund (NLDTF)
- The National Lotteries Commission

Related party transactions are transfers of resources or obligations between the National Lotteries Participants Trust and a related party, regardless of whether a price is charged.

9. Budget information

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.

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. Trade and other receivables		
Trade and other receivables – from exchange transactions		
Interest Accrued	1 258	1 677
	1 258	1 677
Trade and other receivables – from non-exchange transactions		
Unclaimed Funds – Ithuba Holdings (RF) (Pty) Ltd	9 132	4 834
Advance Sales – Ithuba Holdings (RF)(Pty) Ltd	–	281
	9 132	5 115
2. Prepayments and deposits		
Insurance	73	69
	73	69
3. Cash and cash equivalents		
Nedbank Private Wealth (Pty) Ltd – Expired account	2 701	14 705
Nedbank Private Wealth (Pty) Ltd – Interest account	3 266	20 114
Nedbank Private Wealth (Pty) Ltd – Prize Money account	271 046	295 877
Nedbank Private Wealth (Pty) Ltd – Advance and Online Play account	30 433	13 204
	307 446	343 900
None of the accounts are pledged for security		
4. Trade and other payables		
4.1 Trade and other payables – from exchange transactions		
Accruals	408	269
	408	269
4.2 Trade and other payables – from non-exchange transactions		
National Lottery Distribution Trust Fund	57 593	68 031
Advanced sales due to players	22 114	13 485
Advanced sales due to Ithuba Holdings (RF) (Pty) Ltd	10 724	–
Unclaimed prizes – Winners	227 070	268 976
	317 500	350 492
5. Investment and interest income		
Current accounts	5 358	5 015
	5 358	5 015
6. Goods and services		
Audit fees	843	1 034
Bank charges	52	33
Refreshments and catering	23	–
Legal fees	238	–
Professional indemnity fees – Public officers	171	90
Trustee Fees	746	713
	2 073	1 870
7. Administrative expenses		
Administration fees	3 285	3 146
	3 285	3 146

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
8. Cash flow information		
8.1 Cash generated by operations		
Surplus/(deficit) per the statement of financial performance	-	-
	-	-
Working capital changes		
- Decrease/(Increase) in trade and other receivables	(3 602)	(5 266)
- (Decrease)/Increase in trade and other payables	(32 853)	25 448
Net cash generated/(utilised) from operating activities	(36 454)	20 182

9. Management of financial risk

The National Lotteries Participants Trust's trustees monitors and manages the financial risks relating to the Trust through quarterly reports

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 arises 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 NLPT 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.

To assist in the analysis of the financial risks that National Lotteries Participant Trust 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:		
- Trade and other receivables from exchange transactions	1 258	1 258
- Trade and other receivables from non-exchange transactions	9 132	9 132
Financial assets at fair value:		
- Cash and cash equivalents	307 446	307 446
Total Assets	317 836	317 836
Financial liabilities at amortised cost:		
Trade and other payables – from exchange transactions	408	408
Trade and other payables – from non-exchange transactions	317 500	317 500
Total liabilities	317 908	317 908

Notes to the financial statements (continued)

for the year ended 31 March 2020

9. Management of financial risk (continued)

	Total R'000	Financial assets and liabilities R'000
As at 31 March 2019		
Financial assets at amortised cost:		
Unlisted:		
– Trade and other receivables from exchange transactions	1 677	1 677
– Trade and other receivables from non-exchange transactions	5 115	5 115
Financial assets at fair value:		
– Cash and cash equivalents	343 901	343 901
Total Assets	350 693	350 693
Financial liabilities at amortised cost:		
Trade and other payables – from exchange transactions	269	269
Trade and other payables – from non-exchange transactions	350 492	350 492
Total liabilities	350 761	350 761

Pre-payments were erroneously included in the prior year disclosure and has since been removed.

9.1 Financial assets and liabilities

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

	Year ended 31 March 2020 R'000	Year ended 31 March 2019 R'000
Financial assets at amortised cost:		
Unlisted:		
– Trade and other receivables from exchange transactions	1 258	1 677
– Trade and other receivables from non-exchange transactions	9 132	5 115
Financial assets at fair value:		
– Cash and cash equivalents	307 446	343 901
Total financial assets	317 836	350 693
Financial liabilities at amortised cost:		
Trade and other payables – from exchange transactions	408	269
Trade and other payables – from non-exchange transactions	317 500	350 492
Total financial liabilities	317 908	350 761

Notes to the financial statements (continued)

for the year ended 31 March 2020

9. Management of financial risk (continued)

9.1 Financial assets and liabilities (continued)

9.1.1 Market risk

(a) Interest rate risk

Sensitivity to changes in interest rates is relevant to financial assets or financial liabilities bearing floating interest rates due to the risk that future cash flows will fluctuate. NLPT invests its money market instruments at a fixed rate. There will be no impact on the future cash flows of the entity as a result of changes in interest rates except for cash balances in current and call accounts.

The table below details the specific interest rate risk that the NLPT 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:				
– Trade and other receivable from exchange transactions	1 258	–	–	1 258
– Trade and other receivable from non-exchange transactions	9 132	–	–	9 132
Financial assets at fair value:				
Cash and cash equivalents	307 446	–	307 446	–
Total financial assets	317 836	–	307 446	10 390
Financial liabilities at amortised cost:				
Trade and other payables – from exchange transactions	408	–	–	408
Trade and other payables – from non-exchange transactions	317 500	–	–	317 500
Total financial liabilities	317 908	–	–	317 908
As at 31 March 2019 (Restated)				
Financial assets at amortised cost:				
Unlisted:				
– Trade and other receivable from exchange transactions	1 677	–	–	1 677
– Trade and other receivable from non-exchange transactions	5 115	–	–	5 115
Financial assets at fair value:				
Cash and cash equivalents	343 901	–	343 901	–
Total financial assets	350 693	–	343 901	6 792
Financial liabilities at amortised cost:				
Trade and other payables – from exchange transactions	269	–	–	269
Trade and other payables – from non-exchange transactions	350 492	–	–	350 492
Total financial liabilities	350 761	–	–	350 761

Notes to the financial statements (continued)

for the year ended 31 March 2020

9. Management of financial risk (continued)

9.1 Financial assets and liabilities (continued)

9.1.2 Credit risk

Key areas where NLPT is exposed to credit risk:

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

The Trust 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 fair value:						
– Cash and cash equivalents	307 446	–	–	–	307 446	–
	307 446	–	–	–	307 446	–
As at March 2019						
Financial assets at fair value:						
– Cash and cash equivalents	343 901	–	–	–	343 901	–
	343 901	–	–	–	343 901	–

Credit risk relating to receivables

	31 March 2020 R'000	31 March 2019 R'000
Ithuba Holdings (Pty) Ltd	9 132	5 115
Interest accrued	1 258	1 677
	9 132	5 115

Interest accrued were erroneously omitted in the prior year disclosure.

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	9 132	–	5 115	–
Total	9 132	–	5 115	–

Notes to the financial statements (continued)

for the year ended 31 March 2020

9. Management of financial risk (continued)

9.1 Financial assets and liabilities (continued)

9.1.3 Liquidity risk

The table below analyses the NLPT'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 31 March 2020		
Trade and other payables – from exchange transactions	408	408
Trade and other payables – from non-exchange transactions	317 500	317 500
Total	317 908	317 908
At 31 March 2019		
Trade and other payables – from exchange transactions	269	269
Trade and other payables – from non-exchange transactions	350 492	350 492
Total	350 761	350 761

10. Taxation

The National Lotteries Participants Trust is a registered tax payer in terms of Section 67 of the Income Tax Act no. 58 of 1962 as amended. The trusts tax reference number is 2332466172. There is no tax payable for the trust.

11. 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.

	Approved Budget R'000	Final Budget R'000	Adjustments R'000	Reason for Adjustments
Interest received	3 914	3 914	–	No adjustments
Administrations fees	2 954	2 954	–	No adjustments
Goods and services	960	960	–	No adjustments

12. Events after reporting date

12.1 COVID-19 implications – going concern

The novel coronavirus (COVID-19) pandemic has not had an effect on the going concern status of the NLPT. Adjusting subsequent events are reflected in note 12.2 below.

At the time of preparing the annual financial statements existence of novel coronavirus (COVID-19) was confirmed and had been spreading rapidly across the globe. The country was put under lockdown on 27 March 2020 which has had an effect on the economy. The Trustees performed the going concern assessment and concluded the going concern was appropriate when preparing the annual financial statements.

12.2 Extension of winners prize claim period

During July 2020, the NLC Board (Regulator) 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 expired and unclaimed prizes and an upward adjustment in prize winners to reflect this.

Notes to the financial statements (continued)

for the year ended 31 March 2020

13. Trustee's emoluments

Members	Members'	Travel Costs	Total	Total
	Fees	R'000	2020	2019
	R'000	R'000	R'000	R'000
Ms MT Ramuedzisi	185	–	185	180
Mr A Mahlalutye	105	–	105	165
Adv LT Nevondwe	366	90	456	368
Mr P Letwaba**	–	–	–	–
Adv E Mabuza***	–	–	–	–
Total	656	90	746	713

** Mr Letwaba is a trustee representing the National Lotteries Commission (the regulator) as per the trust deed. He is not remunerated.

*** Advocate Mabuza is a trustee representing Ithuba Holdings (the operator) as per the trust deed. He is not remunerated.

14. Related party transactions

Key management is defined as individuals with the authority and responsibility for planning, directing and controlling the activities of the National Lotteries Participants Trust. All trustees are regarded as key management. Close family members of key management personnel are considered to be those family members who may be expected to influence, or be influenced by, key management individuals in their dealings with the National Lotteries Participants Trust. An entity is related to the trust if members' of the entity's key management have significant influence in the trust. Other related party transactions are also disclosed in terms of disclosure requirements. Qualitative and quantitative materiality is considered in the disclosure of these transactions.

	31 March 2020 R'000	31 March 2019 R'000
Transactions between NLPT and other parties		
Ithuba Holdings RF (Pty) Ltd		
Trade and other receivables from exchange transactions	9 132	5 115
Trade and other payables from exchange transactions	237 794	268 976
National Lottery Distribution Trust Fund	57 593	68 031

The NLPT held Trustees meetings at NLC offices.

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 Lotteries Act No. 57 of 1997 (as amended). For the first time since inception of the NLPT, in 2018 the Auditor-General of South Africa (AGSA) required NLPT to be consolidated in the NLC financial statements and as a result this was effected from the 2018/19 financial year.