

Statement of financial performance

for the year ended 31 March 2020

	Note	GROUP		COMPANY	
		Year ended 31 March 2020 R'000	Year ended 31 March 2019 Restated R'000	Year ended 31 March 2020 R'000	Year ended 31 March 2019 R'000
REVENUE		1 980 776	1 990 632	556 302	463 332
Revenue from non-exchange transactions		1 827 632	1 829 069	555 251	461 516
Transfers from NLDTF	1	–	–	552 751	459 016
Fund revenue	2	1 825 132	1 826 569	–	–
Licence fees	3	2 500	2 500	2 500	2 500
Revenue from exchange transactions		153 144	161 563	1 051	1 816
Other operating income	4	5 359	12 015	621	1 443
Fair value adjustment – Investments	5	–	7 969	–	–
Investment and interest income	6	147 785	141 579	430	373
EXPENDITURE		(1 915 019)	(1 755 843)	(556 302)	(463 332)
Fair value adjustment – Investments	5	(9 256)	–	–	–
Allocation of grants	7	(1 326 796)	(1 262 550)	–	–
Employee costs	8	(302 138)	(268 671)	(302 138)	(268 671)
Goods and services	9	(266 712)	(204 129)	(247 332)	(184 284)
Administration expenses	10	(3 285)	(10 115)	–	–
Depreciation, amortisation and impairment	11	(6 805)	(10 192)	(6 805)	(10 192)
Deficit on disposal of property, plant and equipment	12	(27)	(185)	(27)	(185)
Surplus/(deficit) for the year		65 756	234 789	–	–

Statement of financial position

for the year ended 31 March 2020

	Note	GROUP		COMPANY	
		Year ended 31 March 2020 R'000	Year ended 31 March 2019 Restated R'000	Year ended 31 March 2020 R'000	Year ended 31 March 2019 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	83 987	61 723	83 987	61 723
Intangible assets	14	117 137	114 916	117 137	114 916
Financial Assets – Long Term Investments	15	–	1 507 954	–	–
		201 123	1 684 593	201 124	176 639
Current Assets					
Financial assets – short-term investments	15	1 624 839	–	–	–
Trade and other receivables from exchange transactions	16	3 263	5 182	1 046	2 231
Trade and other receivables from non-exchange transactions	16	42 562	41 663	–	–
Prepayments and deposits	17	6 338	1 428	6 265	1 359
Cash and cash equivalents	18	526 482	575 087	34 968	21 462
		2 203 484	623 360	42 280	25 052
Total assets		2 404 608	2 307 953	243 404	201 691
LIABILITIES					
Non-current liabilities					
Deferred income – Licence fees	19	5 417	7 917	5 417	7 917
		5 417	7 917	5 417	7 917
Current Liabilities					
Current portion of deferred income – Licence fees	19	2 500	2 500	2 500	2 500
Provision for allocation by distributing agencies	20	329 901	287 517	–	–
Trade and other payables from exchange transactions	21	20 678	15 076	20 270	14 807
Trade and other payables from non-exchange transactions	21	259 908	282 523	173 557	142 835
Provisions	22	41 660	33 632	41 660	33 632
		654 647	621 248	237 987	193 774
Total liabilities		660 064	629 165	243 404	201 691
Net assets					
Accumulated funds		1 744 542	1 678 787	–	–
Total net assets and liabilities		2 404 608	2 307 953	243 404	201 691

Statement of changes in net assets

for the year ended 31 March 2020

	Note	GROUP
		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	26	(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	26	(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	26	(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
		COMPANY
Restated balance as at 31 March 2018		
At the beginning of the year		–
Surplus/(deficit) for the year		–
Balance as at 31 March 2019		–
Surplus/(deficit) for the year		–
Balance as at 31 March 2020		–

Statement of cash flows

for the year ended 31 March 2020

	Note	GROUP		COMPANY	
		Year ended 31 March 2020 R'000	Year ended 31 March 2019 Restated R'000	Year ended 31 March 2020 R'000	Year ended 31 March 2019 R'000
Cash flow from operating activities					
Cash receipts					
Transfers and subsidies		–	–	583 473	500 959
Cash received from Ithuba (RF) (Pty) Ltd and other parties		2 016 716	1 855 776	–	–
Interest income		35 131	85 844	429	354
Cash received from beneficiaries and other parties		5 984	5 171	1 308	1 604
		2 057 830	1 946 791	585 209	502 917
Cash payments					
Cash paid to beneficiaries and other parties		(1 534 732)	(1 625 767)	–	–
Employee costs paid		(293 500)	(267 208)	(293 500)	(267 208)
Goods and services		(246 886)	(182 898)	(246 886)	(182 898)
		(2 075 117)	(2 075 873)	(540 386)	(450 106)
Net cash generated (utilised) from operating activities	23	(17 287)	(129 082)	44 823	52 809
Cash flow from investing activities					
Net purchases of property, plant and equipment		(28 912)	(37 096)	(28 912)	(37 096)
Proceeds on disposal of property, plant and equipment		46	60	46	60
Net purchases of intangible assets		(2 452)	(4 296)	(2 452)	(4 296)
Net investment of financial assets		–	210 075	–	–
Net cash flows generated (utilised) from investing activities		(31 317)	168 742	(31 317)	(41 332)
Net increase/(decrease) in cash and cash equivalent		(48 605)	39 660	13 506	11 476
Cash and cash equivalents at the beginning of the year	18	575 087	535 427	21 462	9 986
Cash and cash equivalents at the end of the year	18	526 482	575 087	34 968	21 462

Statement of comparison of budget and actual amounts: Group

for the year ended 31 March 2020

GROUP					
R'000	Approved budget	Adjustments	Final budget	Actual amounts	Difference: Final budget and actual
Revenue and income					
Share of ticket sales	1 610 000	–	1 610 000	1 632 334	22 334
Investment and interest received	125 626	–	125 626	147 785	22 159
Licence fees	2 500	–	2 500	2 500	–
Societies and other lotteries	84	–	84	70	(14)
Revenue from Participants Trust	170 072	–	170 072	192 798	22 726
Revocations	20 000	–	20 000	20 143	143
Sundry Income	1 000	–	1 000	5 289	4 289
Total revenue and income	1 929 282	–	1 929 282	2 000 919	71 637
Expenses					
Employee costs	(299 047)	–	(299 047)	(302 138)	(3 091)
Goods and services	(258 755)	–	(258 755)	(249 465)	9 290
Administrative Expenses	(2 954)	–	(2 954)	(3 285)	(331)
Depreciation and amortisation	(6 788)	–	(6 788)	(6 805)	(17)
Deficit on disposal of property, plant and equipment	–	–	–	(27)	(27)
Fair Value Adjustment	–	–	–	(9 256)	(9 256)
Total expenditure	(567 544)	–	(567 544)	(570 977)	(3 433)
Available for distribution to grant allocations	1 361 738	–	1 361 738	1 429 942	68 205
Allocation of grants	(1 320 383)	(41 355)	(1 361 738)	(1 364 185)	(2 448)
Current year allocations	(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	–	–	65 757	65 757
Capital expenditure					
Capital acquisitions	(52 200)	–	(52 200)	(31 363)	20 837

Statement of comparison of budget and actual amounts: Group (continued)

for the year ended 31 March 2020

Account	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 and interest received	Investment income over performed as a result of interest income from current and call accounts which earned more interest due to higher cash balances in the accounts.	22 159
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
Fair value adjustment	The fair value adjustment is as a result of unfavourable market movements in investments.	(9 256)
Sundry Income	This relates to unused funds that were returned by beneficiaries when their projects were concluded.	4 289
Employee costs	The marginal increase of 1% is within an acceptable threshold of variance.	(3 091)
Revocations	The revocations were in line with budget	143
Current year 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)
Goods and services	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.	9 290
Depreciation and amortisation	Variance is negligible	(17)
Professional fees	Variance is negligible	(220)
Capital acquisitions	There was a change of plan to procure the Oracle Hardware (PCA) servers because the organisation is embarking on a cloud journey. The procurement of the facilities management application and Risk management system will be finalised in the new financial year. Some orders placed for network storage services were not delivered by year end. The network infrastructure for the Western Cape and KwaZulu-Natal provincial office could not be procured and will be procured in the new financial year when construction of the buildings is completed.	20 837

Statement of comparison of budget and actual amounts: Company

for the year ended 31 March 2020

COMPANY					
R'000	Approved budget	Adjustments	Final budget	Actual amounts	Difference: Final budget and actual
Revenue					
Transfers from NLDTF	560 609	–	560 609	552 751	(7 858)
Licence fees	2 500	–	2 500	2 500	–
Interest income	352	–	352	430	78
Other operating Income	–	–	–	551	551
Societies and other lotteries	84	–	84	70	(14)
Total revenue	563 545	–	563 545	556 302	(7 242)
Expenses					
Employee costs	(299 047)	–	(299 047)	(302 138)	(3 091)
Goods and services	(257 710)	–	(257 710)	(247 332)	10 378
Depreciation and amortisation	(6 788)	–	(6 788)	(6 805)	(17)
Deficit on disposal of property, plant and equipment	–	–	–	(27)	(27)
Total expenditure	(563 545)	–	(563 545)	(556 302)	7 242
Surplus/(deficit) for the year	–	–	–	–	–
Capital expenditure					
Capital acquisitions	(52 200)	–	(52 200)	(31 363)	20 837

Account	Explanation of difference	Amount R'000
Transfers and subsidies received	There was an under recovery in transfers and subsidies as a result of the savings in goods and services in the current financial year. See reasons below.	(7 858)
Employee costs	The marginal increase of 1% is within an acceptable threshold of variance.	(3 091)
Goods and services	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.	10 378
Depreciation and amortisation	Variance is negligible	(17)
Capital acquisitions	There was a change of plan to procure the Oracle Hardware (PCA) servers because the organisation is embarking on a cloud journey. The procurement of the facilities management application and Risk management system will be finalised in the new financial year. Some orders placed for network storage services were not delivered by year end. The network infrastructure for the Western Cape and KwaZulu Natal provincial offices could not be procured and will be procured in the new financial year when construction of the provincial offices is completed.	20 837

Summary of significant accounting policies

for the year ended 31 March 2020

The principal accounting policies applied in the preparation of these consolidated and 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 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 judgment 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 19 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	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

NLC 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 NLC's financial statements on initial application where applicable.

2. Consolidation

The consolidated annual financial statements include the assets, liabilities and results of the operations of the holding company and its controlled entities. The controlling entity is NLC.

2.1 Controlled entities

The NLDTF is a Fund which was established in terms of section 21 of the National Lotteries Act, Act No 57 of 1997, as amended. It was established to administer the distribution of funds to the respective sectors, namely Charities, Sports and Recreation, Arts, Culture and National Heritage. The National Lotteries Participants Trust (NLPT) is founded by the Lottery Operator in terms of the Trust Deed. The main objective of the trust is to hold all monies in trust received from Ithuba Holding by the Trust (including interest accrued thereon) for the benefit of the winners, participants who have made an advance payment for future draws. In September 2018, the Auditor General concluded that the NLC should consolidate the financial statements of NLPT in the financial statements of NLC.

Intra-group transactions, balances and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated. Controlled entities accounting policies are consistent with the policies adopted by NLC.

3. 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 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.

Summary of significant accounting policies (continued)

for the year ended 31 March 2020

3. Revenue recognition (continued)

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.

3.1 Transfer from NLDTF

Transfers from the NLDTF are initially measured at fair value on date of transfer. Transfers from the NLDTF are measured at the amount of the increase in net assets recognised by the NLC.

The NLC withdraws the amounts as and when required, based on an approved budget by the Minister of Trade and Industry. Income is generally recognised as operating costs are defrayed, the end result being the surrendering of surpluses to (or recovering of any deficit from) the NLDTF, thus not accounting for any accumulated surplus.

3.2 Licence fees

Revenue from licence fees are paid at the inception of the licence by the National Lottery Operator in order to operate the licence. The consideration received is measured at the fair value and amortised over the licence term in the Statement of Financial Performance.

3.3 Investment income

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.

3.4 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 from the operator as stipulated and agreed in the licence agreement with National Lottery Operator (herein Ithuba).

3.5 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 by Ithuba are through the intermediation of the National Lotteries Participants Trust.

3.6 Interest from National Lotteries Participants Trust

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

4. Property, plant and equipment

Property, plant and equipment are tangible items that are expected to be used for more than one reporting year. Property and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to NLC and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Property and equipment are depreciated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Furniture and fittings	10 to 17 years
Office equipment	Three to 17 years
Computer equipment	Three to seven years
Network Infrastructure	Shorter of the estimated life or year of the lease, seven years for servers
Leasehold improvements	Shorter of estimated life or year of lease
Land and Buildings	0 to 99 years

The assets' residual values and useful lives are reviewed at each reporting year and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value-in-use.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount. These are recorded in profit or loss.

Summary of significant accounting policies (continued)

for the year ended 31 March 2020

5. Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by NLC are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs, that are capitalised as part of the software product, include the software development employee costs and an appropriate portion of directly attributable overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent year.

Intangible assets are classified as indefinite on initial acquisition when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the year over which the asset is expected to provide service potential to the entity.

Software licences and systems with indefinite useful lives are capitalised and not amortised. An annual impairment test will be performed on the licences and systems.

Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the term of the contract.

Intangible assets with indefinite lives consists of:

- websites ; and
- integrated systems.

Intangible assets are depreciated using the straight-line method.

6. Leases

6.1 Operating leases

NLC classifies leases as operating leases where the lessor effectively retains the risks and benefits of ownership. Operating lease payments are recognised in profit or loss on a straight-line basis over the year of the lease.

7. Financial assets

NLC classifies its financial assets in the following categories:

- financial assets at amortised cost; and
- 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.

7.1 Financial assets at amortised cost

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

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

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.

Summary of significant accounting policies (continued)

for the year ended 31 March 2020

7. Financial assets (continued)

7.1 Financial assets at amortised cost (continued)

NLC will derecognise a financial assets when:

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

7.2 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 recognised 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 recognised in surplus or deficit.

8. Impairment of assets

8.1 Financial assets carried at amortised cost

NLC assesses at each reporting year 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;
- 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 NLC, including:
 - adverse changes in the payment status of issuers or debtors of NLC; and
 - national or local economic conditions that correlates with defaults on the assets of NLC.

Summary of significant accounting policies (continued)

for the year ended 31 March 2020

8. Impairment of assets (continued)

8.1 Financial assets carried at amortised cost (continued)

NLC first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If NLC 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 recognised 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 recognised in profit or loss.

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

8.2 Impairment of other non-financial assets

Assets, including intangible assets, that are subject to amortisation, 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 recognised 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 recognised as a loss in profit or loss immediately.

9. Financial liabilities

NLC classifies its financial liabilities in the following category:

- financial liabilities at amortised cost

9.1 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 recognised 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; and
- Trade and other payables.

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

NLC derecognises 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.

Summary of significant accounting policies (continued)

for the year ended 31 March 2020

10. Cash and cash equivalents

Cash and cash equivalents comprise:

- cash in hand;
- deposits held at call and short notice; and
- 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.

11. Contingent assets

Contingent assets are possible assets that arise from past events, and whose existence 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. A contingent asset is not recognised in the financial statement, however, it is disclosed where an inflow of economic benefits or service potential is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements.

12. Financial risk management

The Company and Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Board manages these risks through a Board Audit and Risk Committee. The Board manages these risks through quarterly reporting of risk management.

12.1 Market risk

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

12.2 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.

The Company and Group also follows regulations issued by National Treasury to manage its exposure to credit risk.

12.3 Liquidity risk

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

13. Employee benefits

13.1 Post-employment benefits

The Provident Fund to which employees belong is a defined contribution fund, which provides retirement, death and disability benefits. The Company funds the plan. The contributions are charged to the Statement of Financial Performance in the year to which they relate.

13.2 Provision for leave pay

Company accrues in full the employees' rights to annual leave entitlement in respect of past service. The undiscounted amount is expensed over the year the services are rendered. A provision is made for the estimated liability as a result of services rendered by employees up to balance sheet date. The Company remains liable to pay out an amount equal to the leave balance at current rate of remuneration. Payment of the leave is dependent on when employees resign.

13.3 Provision for bonus

The Company recognises a provision and an expense for bonuses in staff costs, based on a formula where there is a contractual obligation or where there is a past practice that has created a constructive obligation. Bonuses are paid based on the outcome of annual performance assessments and only paid once approval of the Board is obtained. The timing of the approval of the bonus varies from year-to-year.

Summary of significant accounting policies (continued)

for the year ended 31 March 2020

14. Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less from the reporting date. If not, they are presented as non-current liabilities.

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

15. Provisions

Provisions are recognised when, as a result of past events, the Company 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 recognised as interest expense.

16. Contingent liabilities

Company and Group 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 recognised 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 recognised in the financial statements, however, it is disclosed unless the probability of an outflow of economic benefits is remote. Contingent liabilities comprise grants allocated by the Distributing Agencies to beneficiaries on a conditional basis and the stipulated conditions have not been met as at 31 March 2020.

17. 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.

18. Contractual commitments

A commitment is a contractual arrangement that binds the department to incur future expenditure based on items that are still to be received. Disclosure of commitments entered into before year-end are relevant for the following standards of GRAP:

- GRAP 1 on *Presentation of Financial Statements* (disclosure of unrecognised contractual commitments).
- GRAP 13 on *Leases* (disclosure of the future minimum lease payments).
- GRAP 17 on *Property, Plant and Equipment* (disclosure of contractual commitments for Property, Plant and Equipment).
- GRAP 31 on *Intangible Assets* (disclosure of the contractual commitments for the acquisition of intangible assets).

Summary of significant accounting policies (continued)

for the year ended 31 March 2020

19. 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.

19.1 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 relate to the 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.

19.2 Depreciation

Depreciation is recognised through profit or loss on a straight-line basis over the estimated useful life, or the lease term if shorter, of each asset or component of an item of property, plant and equipment. Land is not depreciated and major repairs and overhauls are depreciated over the remaining useful life of the related asset or to the date of the next major repair or overhaul, if shorter. Depreciation commences when the asset is available for use.

The 80/20 principle is applied to split the initial acquisition cost of the land and buildings, where 80% is buildings and 20% is land of the initial acquisition cost.

19.3 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.

19.4 Contingent liabilities

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.

19.5 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.

20. Related parties

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

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 NLC;
 - (ii) has significant influence over the NLC; or
 - (iii) is a member of the management of the NLDTF or NLC.

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

Summary of significant accounting policies (continued)

for the year ended 31 March 2020

21. Irregular, fruitless and wasteful expenditure

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

- The PFMA; or
- the Treasury Regulations;
- a National Treasury Instruction, issued in terms of section 76 of the PFMA; and
- 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 derecognised when the receivable is settled or subsequently written off as irrecoverable. Any irregular expenditure is charged against income in the year in which it is incurred.

Any irregular, fruitless and wasteful expenditure is charged against income in the year in which it is incurred.

22. 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 2018/04/01 to 2020/03/31. The budget for the economic entity includes all the entity-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.

23. Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

Notes to the financial statements

for the year ended 31 March 2020

	GROUP		COMPANY	
	Year ended 31 March 2020 R'000	Year ended 31 March 2019 Restated R'000	Year ended 31 March 2020 R'000	Year ended 31 March 2019 R'000
1. Transfers from NLDTF				
Payments from fund in respect of expenses	-	-	552 751	459 016
	-	-	552 751	459 016
2. Fund revenue				
Share of ticket sales	1 632 334	1 626 291	-	-
Expired and unclaimed prizes	180 047	186 993	-	-
Interest from the National Lotteries Participants Trust	12 751	13 285	-	-
	1 825 132	1 826 569	-	-
3. Licence fees				
Recognition of lottery licence fees	2 500	2 500	2 500	2 500
	2 500	2 500	2 500	2 500
4. Other operating revenue				
Registration fees – Schemes and Societies	70	94	70	94
Sundry income*	5 039	4 816	551	1 349
Movement in the provision for doubtful debt	250	7 105	-	-
	5 359	12 015	621	1 443
5. 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.				
6. Investment and interest income				
Call and current accounts	16 287	4 982	430	373
Interest income from investments	126 140	131 582	-	-
Interest income from National Lotteries Participants Trust current accounts	5 358	5 015	-	-
	147 785	141 579	430	373
7. Allocation of grants				
Current year allocations	1 346 939	1 311 277	-	-
Revocations	(20 143)	(48 726)	-	-
	1 326 796	1 262 550	-	-
8. Employee costs				
Salaries, wages and allowances	216 714	197 394	216 714	197 394
Medical aid fund contribution	13 966	12 269	13 966	12 269
Defined provident fund contributions	23 981	21 630	23 981	21 630
Social security levies (Unemployment Insurance Fund, Skills Development Levy)	3 087	2 895	3 087	2 895
Risk Benefit and Management Fees	6 459	5 772	6 459	5 772
Provision for leave pay	1 493	66	1 493	66
Provision for bonus	36 438	28 645	36 438	28 645
	302 138	268 671	302 138	268 671

* Sundry income mainly consists of unspent amounts returned by beneficiaries.

Notes to the financial statements (continued)

for the year ended 31 March 2020

	GROUP		COMPANY	
	Year ended 31 March 2020 R'000	Year ended 31 March 2019 Restated R'000	Year ended 31 March 2020 R'000	Year ended 31 March 2019 R'000
9. Goods and services				
Advertising and publicity	60 248	22 718	60 248	22 718
Audit fees	5 009	4 676	4 166	3 642
Bank charges	194	205	81	90
Computer expenses	18 291	17 240	18 291	17 240
Conferences and meetings	4 780	2 122	4 780	2 122
Consulting fees*	24 664	17 701	24 664	17 701
Courier and delivery costs	658	764	658	764
Debtors written off	274		274	
Distributing agency emoluments	1 901	3 824	1 901	3 824
Professional fees	17 246	17 893	–	–
Board member fees including board committees*	7 322	6 102	7 322	6 102
Insurance	1 036	2 008	865	1 918
Legal fees	30 782	20 623	30 544	20 623
Rental – motor vehicles	3 801	2 092	3 801	2 092
Rental – office buildings	22 358	21 061	22 358	21 061
Rental – office equipment	2 117	2 349	2 117	2 349
Outsourcing	14 470	15 754	14 470	15 754
Printing and stationery	2 611	2 984	2 611	2 984
Refreshments and catering	1 885	1 342	1 862	1 342
Repairs and maintenance	1 723	991	1 723	991
Research	1 669	2 734	1 669	2 734
Small assets written off	8	8	8	8
Staff recruitment	558	608	558	608
Staff training	7 338	6 444	7 338	6 444
Staff welfare	3 149	1 790	3 149	1 790
Subscriptions	437	454	437	454
Sundry expenses	6 990	5 481	6 990	5 481
Telephone and internet charges	5 301	6 270	5 301	6 270
Travel and accommodation	15 382	13 882	15 382	13 882
Trustee fees	746	713	–	–
Water and electricity	3 763	3 296	3 763	3 296
	266 712	204 129	247 332	184 284

* An amount of R437 000 has been reclassified from Board Emoluments to Consulting Fees.

10. Administration expenses

Management fees*	3 285	3 160	–	–
Loss from financial instruments#	–	–	–	–
Beneficiaries written off	–	6 955	–	–
	3 285	10 115	–	–

* Beneficiaries written off relates to funds which were initially earmarked for recovery which were not recovered mainly due to prescription.

An amount of R7 200 was reclassified from bank charges to management fees in the previous financial reporting period.

Notes to the financial statements (continued)

for the year ended 31 March 2020

	GROUP		COMPANY	
	Year ended 31 March 2020 R'000	Year ended 31 March 2019 Restated R'000	Year ended 31 March 2020 R'000	Year ended 31 March 2019 R'000
11. Depreciation and amortisation				
11.1 Depreciation				
Network infrastructure	1 142	1 194	1 142	1 194
Computer equipment	1 702	2 369	1 702	2 369
Furniture and fittings	1 436	1 416	1 436	1 416
Leasehold improvements	245	3 326	245	3 326
Office equipment	1 804	1 847	1 804	1 847
Buildings	245	25	245	25
	6 574	10 177	6 574	10 177
11.2 Amortisation				
Software	231	15	231	15
	231	15	231	15
Total	6 805	10 192	6 805	10 192
12. Deficit on disposal of property, plant and equipment				
	(27)	(185)	(27)	(185)
	(27)	(185)	(27)	(185)

13. Property, plant and equipment: Group and Company

R'000	Buildings	Network Infra- structure	Computer equipment	Furniture and fittings	Leasehold improve- ments	Office equipment	Total
Year ended 31 March 2020							
Opening carrying amount	33 997	4 878	2 999	7 752	442	11 655	61 723
Additions	25 002	1 385	1 483	644	-	397	28 912
Disposals	-	-	(71)	(2)	-	-	(73)
- Cost	-	-	(480)	(4)	(1 536)	-	(2 020)
- Accumulated Depreciation	-	-	409	2	1 536	-	1 947
Depreciation charge	(245)	(1 142)	(1 702)	(1 436)	(245)	(1 804)	(6 574)
Closing carrying amount	58 754	5 121	2 709	6 958	197	10 248	83 987
At 31 March 2020							
Cost	59 024	12 103	12 184	15 256	8 276	18 926	125 770
Accumulated depreciation	(270)	(6 982)	(9 475)	(8 298)	(8 079)	(8 678)	(41 783)
Carrying amount	58 754	5 121	2 709	6 958	197	10 248	83 987

Notes to the financial statements (continued)

for the year ended 31 March 2020

13. Property, plant and equipment: Group and Company (continued)

R'000	Buildings	Network Infra- structure	Computer equipment	Furniture and fittings	Leasehold improve- ments	Office equipment	Total
Year ended 31 March 2019							
Opening carrying amount	3 824	3 077	3 856	8 469	2 745	13 077	35 048
Additions	30 198	2 995	1 526	861	1 023	493	37 096
Disposals	–	–	(14)	(162)	–	(68)	(245)
– Cost	–	–	(146)	(529)	–	(156)	(832)
– Accumulated Depreciation	–	–	133	367	–	88	587
Depreciation charge	(25)	(1 194)	(2 369)	(1 416)	(3 326)	(1 847)	(10 177)
Closing carrying amount	33 997	4 878	2 999	7 752	442	11 655	61 723
At 31 March 2019							
Cost	34 022	10 718	11 181	14 616	9 812	18 529	98 878
Accumulated depreciation	(25)	(5 840)	(8 182)	(6 864)	(9 370)	(6 874)	(37 156)
Carrying amount	33 997	4 878	2 999	7 752	442	11 655	61 723

14. Intangible assets: Group and Company

R'000	Geographical information system	Enterprise system*	Software**	Grant management system	Website	Total
Year ended 31 March 2020						
Opening carrying amount	1 810	108 602	4 306	–	198	114 916
Additions	–	–	2 452	–	–	2 452
Disposals	–	–	–	–	–	–
– Cost	–	–	–	–	–	–
– Accumulated depreciation	–	–	–	–	–	–
Impairment charge	–	–	–	–	–	–
Amortisation charge	–	–	(231)	–	–	(231)
Closing carrying amount	1 810	108 602	6 527	–	198	117 137
At 31 March 2020						
Cost	1 810	108 602	9 403	6 963	198	126 976
Accumulated amortisation/ impairment	–	–	(2 876)	(6 963)	–	(9 839)
Carrying amount	1 810	108 602	6 527	–	198	117 137
Year ended 31 March 2019						
Opening carrying amount	1 810	108 602	25	–	198	110 635
Additions	–	–	4 296	–	–	4 296
Disposals	–	–	–	–	–	–
– Cost	–	–	–	–	–	–
– Accumulated depreciation	–	–	–	–	–	–
Amortisation charge	–	–	(15)	–	–	(15)
Closing carrying amount	1 810	108 602	4 306	–	198	114 916
At 31 March 2019						
Cost	1 810	108 602	6 951	6 963	198	124 524
Accumulated amortisation/ impairment	–	–	(2 645)	(6 963)	–	(9 608)
Carrying amount	1 810	108 602	4 306	–	198	114 916

* Enterprise system are various applications that are developed for the NLC that support business processes, information flows, reporting and data analytics.

** GMS, Payday and Pastel are carried at zero but still in use.

Notes to the financial statements (continued)

for the year ended 31 March 2020

	GROUP		COMPANY	
	Year ended 31 March 2020 R'000	Year ended 31 March 2019 Restated R'000	Year ended 31 March 2020 R'000	Year ended 31 March 2019 R'000
15. Financial assets				
The Group's 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	–	–
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.				
16. Trade and other receivables				
16.1 Trade and other receivables from exchange transactions:				
– Study loans and advances	126	461	126	461
– Staff receivables – Payroll	541	706	541	706
– Sundry debtors	330	1 017	330	1 017
Accrued income	2 265	2 998	48	47
– Interest receivable on current and call accounts	2 265	2 998	48	47
Total	3 263	5 182	1 046	2 231
Claims from beneficiaries	–	–	–	–
– Gross amount claimed	1 181	1 431	–	–
– Provision for doubtful claim recovery from beneficiaries	(1 181)	(1 431)	–	–
Current	3 263	5 182	1 046	2 231
	3 263	5 182	1 046	2 231
16.2 Trade and other receivables from non-exchange transactions:				
Accrued income				
– Share of ticket sales from the National Lottery Operator	33 430	36 548	–	–
– Unclaimed funds – Ithuba Holdings (RF) (Pty) Ltd	9 132	4 834	–	–
– Advance sales due from Ithuba	–	281	–	–
Total	42 562	41 663	–	–
Current	42 562	41 663	–	–
	42 562	41 663	–	–

Notes to the financial statements (continued)

for the year ended 31 March 2020

	GROUP		COMPANY	
	Year ended 31 March 2020 R'000	Year ended 31 March 2019 Restated R'000	Year ended 31 March 2020 R'000	Year ended 31 March 2019 R'000
17. Prepayments and deposits				
Insurance and property rental prepayments	274	778	201	709
Deposits	6 064	650	6 064	650
	6 338	1 428	6 265	1 359
Deposits relate to amounts paid on inception of operating lease contracts entered into by the NLC for the leasing of property (refer to note 24.2 for details of operating lease commitments) and a payment made to attorneys as a result of a court order.				
18. Cash and cash equivalents				
18.1 Cash at bank				
Cash at bank – current account	403 545	392 232	32 032	18 608
Cash at bank – call account	122 909	182 816	2 909	2 816
Cash on hand	27	38	27	38
Fixed deposits with maturity dates less than three months	1	1	–	–
Total cash at bank as per statement of cash flow	526 482	575 087	34 968	21 462
Included in the R2.909 million call account of the NLC is an amount of R2.44 million which is pledged as a guarantee in favour of Growth Point Properties (Pty) Ltd in terms of the NLC lease agreement. The current and call accounts are not pledged.				
19. Deferred revenue – licence fees				
Opening balance	10 417	12 917	10 417	12 917
Amount charged to Statement of Financial Performance	(2 500)	(2 500)	(2 500)	(2 500)
Closing balance	7 917	10 417	7 917	10 417
Current	2 500	2 500	2 500	2 500
Non-current	5 417	7 917	5 417	7 917
	7 917	10 417	7 917	10 417
20. Provision for allocation by distributing agencies				
Opening balance	287 517	582 132	–	–
Additional provision made during the year	1 346 939	1 311 276	–	–
Payments made during the year	(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.

Notes to the financial statements (continued)

for the year ended 31 March 2020

	GROUP		COMPANY	
	Year ended 31 March 2020 R'000	Year ended 31 March 2019 Restated R'000	Year ended 31 March 2020 R'000	Year ended 31 March 2019 R'000
21. Trade and other payables				
21.1 Trade and other payables from exchange transactions				
Supplier payables	309	787	309	787
Accruals	18 435	13 853	18 027	13 584
Payroll creditors	112	1	112	1
Straight-lining of operating lease payments	1 822	435	1 822	435
	20 678	15 076	20 270	14 807
Current	20 678	15 076	20 270	14 807
Non-current	–	–	–	–
	20 678	15 076	20 270	14 807
21.2 Trade and other payables from non-exchange transactions:				
– National Lottery Distribution Trust Fund	–	–	173 557	142 835
– Unallocated funds	–	62	–	–
– Unclaimed prizes – Ithuba Holdings (RF) (Pty) Ltd	227 070	268 976	–	–
– Unclaimed funds – Ithuba Holdings (RF) (Pty) Ltd	–	–	–	–
– Advance Sales due to Winners – Ithuba Holdings (RF) (Pty) Ltd	22 114	13 485	–	–
– Advance Sales due to Ithuba Holdings (RF)(Pty) Ltd	10 724	–	–	–
	259 908	282 523	173 557	142 835
22. Provisions				
Leave pay				
Opening balance	4 630	5 183	4 630	5 183
Additional provisions raised	5 649	4 630	5 649	4 630
Used during the year	(493)	(620)	(493)	(620)
Unused amounts reversed	(4 137)	(4 564)	(4 137)	(4 564)
Closing balance	5 649	4 630	5 649	4 630
The leave balance is calculated based on the leave days carried over at year-end.				
Bonus				
Opening balance	29 002	27 130	29 002	27 130
Additional provisions raised	36 011	29 002	36 011	29 002
Used during the year	(29 002)	(26 686)	(29 002)	(26 686)
Unused amounts reversed	–	(445)	–	(445)
Closing balance	36 011	29 002	36 011	29 002
Current	41 660	33 632	41 660	33 632
	41 660	33 632	41 660	33 632

Bonuses are calculated based on the NLC performance management policy.

Notes to the financial statements (continued)

for the year ended 31 March 2020

	GROUP		COMPANY	
	Year ended 31 March 2020 R'000	Year ended 31 March 2019 Restated R'000	Year ended 31 March 2020 R'000	Year ended 31 March 2019 R'000
23. Cash flow information				
23.1 Cash generated by operations				
Surplus/(deficit) per the statement of financial performance	65 756	234 789	–	–
Adjusted for:				
Non-cash items:				
Amortisation and impairment	231	15	231	15
Deferred revenue	(2 500)	(2 500)	(2 500)	(2 500)
Depreciation	6 574	10 177	6 574	10 177
Operating lease payments smoothing	1 387	(2 727)	1 387	(2 727)
(Surplus)/deficit on sale of assets	27	185	27	185
Provision for bad debts	(250)	(7 105)	–	–
Bad debts written off	–	6 955	–	–
Fair value adjustment	9 256	(7 969)	–	–
	80 482	231 820	5 720	5 150
Working capital changes				
– Increase/(decrease) in trade and other receivables	(151 217)	(139 313)	(3 721)	91
– Increase/(decrease) in trade and other payables	1 883	71 705	34 798	46 249
– Increase/(decrease) in provisions	8 027	1 319	8 027	1 319
– Increase/(decrease) in provision for allocation of distributing agency	42 384	(294 614)	–	–
Net cash generated/(utilised) from operating activities	(18 442)	(129 082)	44 823	52 809
24. Commitments				
24.1 Capital commitments				
Purchase order commitments	2 569	3 852	2 569	3 852
	2 569	3 852	2 569	3 852

Capital commitments relate to capital acquisitions. Contract commitments are ranging from 12 to 36 months.

24.2 Operating lease commitments

NLC leases buildings for its head office and some of its provincial offices and motor vehicles under operating leases. The remaining years of the leases range from one year to five years. The future minimum commitments in terms of the leases of buildings and motor vehicles are as follows:

Due within one year	20 891	3 009	20 891	3 009
Due within two to five years	27 183	968	27 183	968
Net commitment	48 074	3 977	48 074	3 977

The lease term for Polokwane office ends in 2021, the lease was for five (5) years. The lease in Polokwane escalates at 7% per annum and 9% for Head Office. The lease for Head Office is for three (3) years and expires in March 2022. The lease for the following provincial offices; Mpumalanga expired in November 2019 and Eastern Cape and Northern Cape expired in December 2019.

24.3 Operating commitments

Purchase order commitments	8 512	6 850	8 512	6 850
Contract commitments	17 233	10 393	17 233	10 393
	25 745	17 243	25 745	17 243

Operating commitments relate to purchase order and contract commitments. Contract commitments are for a year ranging from 12 to 36 months.

Notes to the financial statements (continued)

for the year ended 31 March 2020

25. 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 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 the Company and Group 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 the Company and Group 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 the Company and Group is exposed to, the statement of financial position has been divided into the following categories:

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

	GROUP			COMPANY		
	Total R'000	Financial assets and liabilities R'000	Non- financial assets and liabilities R'000	Total R'000	Financial assets and liabilities R'000	Non- financial assets and liabilities R'000
As at 31 March 2020						
Financial instruments at amortised cost:						
Unlisted:						
– Capital market securities	1 624 839	1 624 839	–	–	–	–
– Trade and other receivables from exchange transaction	3 263	3 263	–	1 046	1 046	–
– Trade and other receivables from non-exchange transaction	42 562	42 562	–	–	–	–
Financial instruments at fair value:						
– Cash and cash equivalents	526 482	526 482	–	34 968	34 968	–
– Equity intrinsic value	–	–	–	–	–	–
Non-financial assets						
– Other assets	201 123	–	201 123	201 123	–	201 123
– Deposits and prepayments	6 338	–	6 338	6 265	–	6 265
Total assets	2 404 608	2 197 146	207 462	243 403	36 014	207 389
Financial liabilities at amortised cost:						
– Provision for allocation by distributing agencies	329 901	329 901	–	–	–	–
– Trade payables from exchange transactions	20 678	18 856	1 822	20 270	18 448	1 822
– Trade payables from non-exchange transactions	259 908	259 908	–	173 557	173 557	–
Non-financial liability						
– Deferred income – licence fees	7 917	–	7 917	7 917	–	7 917
– Provisions	41 660	–	41 660	41 660	–	41 660
Total liabilities	660 064	608 665	51 399	243 403	192 005	51 399

Notes to the financial statements (continued)

for the year ended 31 March 2020

25. Management of financial risk (continued)

	GROUP			COMPANY		
	Total R'000	Financial assets and liabilities R'000	Non- financial assets and liabilities R'000	Total R'000	Financial assets and liabilities R'000	Non- financial assets and liabilities R'000
As at 31 March 2019						
Financial instruments at amortised cost:						
Unlisted:						
– Capital market securities	1 498 698	1 498 698	–	–	–	–
– Trade and other receivables from exchange transactions	5 182	4 747	435	2 231	1 796	435
– Trade and other receivables from non-exchange transactions	41 663	41 663	–	–	–	–
Financial instruments at fair value:						
– Cash and cash equivalents	575 087	575 087	–	21 462	21 462	–
– Equity intrinsic value	9 256	9 256	–	–	–	–
Non-financial assets						
– Other assets	176 639	–	176 639	176 639	–	176 639
– Deposits and prepayments	1 428	–	1 428	1 359	–	1 359
Total assets	2 307 953	2 129 451	178 502	201 691	23 258	178 433
Financial liabilities at amortised cost:						
– Provision for allocation by distributing agencies	287 517	287 517	–	–	–	–
– Trade payables from exchange transactions	15 076	15 076	–	14 807	14 807	–
– Trade payables from non-exchange transactions	282 523	282 523	–	142 835	142 835	–
Non-financial liability						
– Deferred income – licence fees	10 417	–	10 417	10 417	–	10 417
– Provisions	33 632	–	33 632	33 632	–	33 632
Total liabilities	629 165	585 116	44 049	201 691	157 642	44 049

25.1 Financial assets and liabilities

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

	GROUP		COMPANY	
	Year ended 31 March 2020 R'000	Year ended 31 March 2019 Restated R'000	Year ended 31 March 2020 R'000	Year ended 31 March 2019 R'000
Financial instruments at amortised cost:				
Unlisted:				
– Capital market securities	1 624 839	1 498 698	–	–
– Trade and other receivables from exchange transactions	3 263	5 182	1 046	2 231
– Trade and other receivables from non-exchange transactions	42 562	41 663	–	–
Financial instruments at fair value:				
– Cash and cash equivalents	526 482	575 087	34 968	21 462
– Equity intrinsic value	–	9 256	–	–
Total financial assets	2 197 146	2 129 886	36 014	23 693
Financial liabilities at amortised cost:				
– Provision for allocation by distributing agencies	329 901	287 517	–	–
– Trade payables from exchange transactions	20 678	15 076	20 270	14 807
– Trade payables from non-exchange transactions	259 908	282 523	173 557	142 835
Total financial liabilities	610 487	585 116	193 827	157 642

Notes to the financial statements (continued)

for the year ended 31 March 2020

25. Management of financial risk (continued)

25.1 Financial assets and liabilities (continued)

25.1.1 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 Company and Group is exposed to:

	GROUP			
	Carrying amount R'000	Fixed R'000	Floating R'000	Non-interest-bearing R'000
As at 31 March 2020				
Financial instruments at amortised cost:				
Unlisted:				
– Capital market securities	1 624 839	1 624 839	–	–
– Trade and other receivables from exchange transactions	3 263	–	–	3 263
– Trade and other receivables from non-exchange transactions	42 562	–	–	42 562
Financial instruments at fair value:				
– Cash and cash equivalents	526 482	1	526 454	27
Total financial assets	2 197 146	1 624 840	526 454	45 852
Financial liabilities at amortised cost:				
– Provision for allocation by distributing agencies	329 901	–	–	329 901
– Trade payables from exchange transactions	20 678	–	–	20 678
Total financial liabilities	350 579	–	–	350 579
As at 31 March 2019				
Financial instruments at amortised cost:				
Unlisted:				
– Capital market securities	1 498 698	1 498 698	–	–
– Trade and other receivables from exchange transactions	5 182	–	–	5 182
– Trade and other receivables from non-exchange transactions	41 663	–	–	41 663
Financial instruments at fair value:				
– Cash and cash equivalents	575 087	1	575 048	38
– Equity intrinsic value	9 256	–	–	9 256
Total financial assets	2 129 886	1 498 699	575 048	56 139
Financial liabilities at amortised cost:				
– Provision for allocation by distributing agencies	287 517	–	–	287 517
– Trade payables from exchange transactions	15 076	–	–	15 076
Total financial liabilities	302 593	–	–	302 593

Notes to the financial statements (continued)

for the year ended 31 March 2020

25. Management of financial risk (continued)

25.1 Financial assets and liabilities (continued)

25.1.1 Market risk

	GROUP			
	Carrying amount R'000	Fixed R'000	Floating R'000	Non-interest- bearing R'000
As at 31 March 2020				
Financial instruments at amortised cost:				
– Trade and other receivables from exchange transactions	1 046	–	–	1 046
Financial instruments at fair value:				
– Cash and cash equivalents	34 968	–	34 941	27
Total financial assets	36 014	–	34 941	1 073
Financial liabilities at amortised cost:				
– Trade payables from exchange transactions	20 270	–	–	20 270
Total financial liabilities	20 270	–	–	20 270
As at 31 March 2019				
Financial instruments at amortised cost:				
Unlisted:				
– Trade and other receivables from exchange transactions	2 231	–	–	2 231
Financial instruments at fair value:				
– Cash and cash equivalents	21 462	–	21 424	38
Total financial assets	23 693	–	21 424	2 269
Financial liabilities at amortised cost:				
– Trade payables from exchange transactions	14 807	–	–	14 807
Total financial liabilities	14 807	–	–	14 807

Trade and other payables from exchange transactions were erroneously omitted in the prior year disclosure.

Notes to the financial statements (continued)

for the year ended 31 March 2020

25. Management of financial risk (continued)

25.1 Financial assets and liabilities (continued)

25.1.2 Credit risk

Key areas where the Company and Group is exposed to credit risk:

- Financial investments comprising equity market instruments entered 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.

	GROUP					
	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 31 March 2020						
Financial instruments at amortised cost:						
Unlisted:						
– Capital market securities	1 624 839	–	–	–	1 624 839	–
Financial instruments at fair value:						
– Cash and cash equivalents	526 482	–	–	–	526 482	–
– Equity intrinsic value	–	–	–	–	–	–
	2 151 321	–	–	–	2 151 321	–
	GROUP					
	Total R'000	AAA R'000	AA+ AA AA- R'000	A+ A A- R'000	BBB BBB+ R'000	Not rated R'000
As at 31 March 2019						
Financial instruments at amortised cost:						
Unlisted:						
– Capital market securities	1 498 698	–	–	–	1 498 698	–
Financial instruments at fair value:						
– Cash and cash equivalents	575 087	–	–	–	575 087	–
– Equity intrinsic value	9 256	–	–	–	9 256	–
	2 083 041	–	–	–	2 083 041	–

Notes to the financial statements (continued)

for the year ended 31 March 2020

25. Management of financial risk (continued)

25.1 Financial assets and liabilities (continued)

25.1.2 Credit risk (continued)

	COMPANY					
	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 31 March 2020						
Financial instruments at fair value:						
– Cash and cash equivalents	34 968	–	–	–	34 968	–
	34 968	–	–	–	34 968	–
	COMPANY					
	Total R'000	AAA R'000	AA+ AA AA- R'000	A+ A A- R'000	BBB BBB+ R'000	Not rated R'000
As at 31 March 2019						
Financial instruments at fair value:						
– Cash and cash equivalents	21 462	–	–	–	21 462	–
	21 462	–	–	–	21 462	–

Credit risk relating to receivables

	GROUP		COMPANY	
	Year ended 31 March 2020 R'000	Year ended 31 March 2019 Restated R'000	Year ended 31 March 2020 R'000	Year ended 31 March 2019 R'000
R'000				
Ithuba (Pty) Ltd	42 562	41 663	–	–
Beneficiaries	1 181	1 431	–	–
Staff receivables and other receivables from exchange transactions	3 263	5 182	1 046	2 231

The receivable for unclaimed prizes due to Ithuba was erroneously omitted in the prior year disclosure.

Notes to the financial statements (continued)

for the year ended 31 March 2020

25. Management of financial risk (continued)

25.1 Financial assets and liabilities (continued)

25.1.2 Credit risk (continued)

The ageing of the components of trade and receivables was:

	GROUP			
	Gross 31 March 2020 R'000	Impairment 31 March 2020 Restated R'000	Gross 31 March 2019 R'000	Impairment 31 March 2019 R'000
Within a year	45 825	–	46 845	–
Later than one year	1 181	(1 181)	1 431	(1 431)
Total	47 006	(1 181)	48 276	(1 431)

	COMPANY			
	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	1 046	–	2 231	–
Later than one year	–	–	–	–
Total	1 046	–	2 231	–

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

	GROUP		COMPANY	
	Year ended 31 March 2020 R'000	Year ended 31 March 2019 Restated R'000	Year ended 31 March 2020 R'000	Year ended 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	–	–

25.1.3 Liquidity risk

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

	GROUP		COMPANY*	
	Total R'000	Within a year R'000	Total R'000	Within a year R'000
As at 31 March 2020				
Provision for allocation by distributing agencies	329 901	329 901	–	–
Trade payables from exchange transactions	18 856	18 856	18 448	18 448
Trade payables from non-exchange transactions	259 908	259 908	–	–
Total	608 665	608 665	18 448	18 448
As at 31 March 2019				
Provision for allocation by distributing agencies	287 517	287 517	–	–
Trade payables from exchange transactions	4 747	4 747	1 796	1 796
Trade payables from non-exchange transactions	41 663	41 663	–	–
Total	333 927	333 927	1 796	1 796

Notes to the financial statements (continued)

for the year ended 31 March 2020

25. Management of financial risk (continued)

25.1 Financial assets and liabilities (continued)

25.1.3 Liquidity risk (continued)

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.

Trade payables from exchange transactions and trade payables from non-exchange transactions were erroneously omitted in the prior year disclosure.

26. 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 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)

27. Taxation

The National Lotteries Commission and NLDTF is exempt from income tax in terms of section 10(1)(cA) of the Income Tax Act, 1962.

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.

28. Events after reporting period

28.1 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 a 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-prioritisation 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.

Notes to the financial statements (continued)

for the year ended 31 March 2020

28. Events after reporting period (continued)

28.2 Extension of winners prize claim period – Group

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.

29. Contingent liabilities

As at the end of the financial year, there is an ongoing employee dispute matter for back pay of R44 000 per month from 5 May 2019 pending finalisation of the review by the Labour Court.

30. Contingent asset – Group

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 R28 030 736 on 13 February 2019 even though the jackpot was previously claimed by a valid winner. 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.

31. Comparison of approved budget and final budget – Group

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
Share of ticket sales	1 610 000	1 610 000	–	No adjustments to budget
Revenue from Participants Trust	170 072	170 072	–	No adjustments to budget
Investments and interest received	125 626	125 626	–	No adjustments to budget
Licence fees	2 500	2 500	–	No adjustments to budget
Sundry income	1 000	1 000	–	No adjustments to budget
Society and other lotteries	84	84	–	No adjustments to budget
Revocations	20 000	20 000	–	No adjustments to budget
Employee costs	(299 047)	(299 047)	–	No adjustments to budget
Professional fees	(17 026)	(17 026)	–	No adjustments to budget
Allocation of grants	(1 303 357)	(1 344 712)	(41 355)	The adjustment is as a result of surplus funds that were available for grants allocations in terms of the Lotteries Act
Goods and services	(258 755)	(258 755)	–	No adjustments to budget
Depreciation and amortisation	(6 788)	(6 788)	–	No adjustments to budget
Trust administrators fees	(2 954)	(2 954)	–	No adjustments to budget
Capital acquisitions	(52 200)	(52 200)	–	No adjustments to budget

Notes to the financial statements (continued)

for the year ended 31 March 2020

32. Comparison of approved budget and final budget – Company

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
Transfers and subsidies received	560 609	560 609	–	No adjustments to budget
Licence fees	2 500	2 500	–	No adjustments to budget
Interest Income	352	352	–	No adjustments to budget
Society lotteries	84	84	–	No adjustments to budget
Employee costs	(299 047)	(299 047)	–	No adjustments to budget
Goods and services	(257 710)	(257 710)	–	No adjustments to budget
Depreciation and amortisation	(6 788)	(6 788)	–	No adjustments to budget
Capital acquisitions	(52 200)	(52 200)	–	No adjustments to budget

33. Distributing agency fees – sports and recreation Group and Company

	Members fees R'000	Travel costs R'000	Professional fees R'000	Total 2020 R'000	Total 2019 R'000
Members					
Dr JH Adams	349	33	168	549	411
Mr RR Mali	351	54	205	610	693
Mr ME Ncula	550	30	365	946	1 032
Ms A Hill	–	–	–	–	439
Ms R Ravele	–	–	–	–	458
Mr TA Sikhosana	–	–	–	–	382
Ms J Krubavathi	–	–	–	–	197
Total	1 250	117	739	2 105	3 612

34. Executive management's emoluments Group and Company

	Basic salary R'000	Provident fund and risk benefit contributions R'000	Travel allowance R'000	Cellphone allowance R'000	Perfor- mance bonus R'000	Total 2020 R'000	Total 2019 R'000
Executives							
Mrs T Mampane Commissioner	3 032	59	144	–	500	3 735	3 596
Mr P Letwaba Chief Operations Officer	2 422	367	120	48	442	3 399	3 353
Ms X Ntuli Chief Financial Officer	1 703	245	–	48	296	2 292	2 181
Mr M Ramusi Chief Information Officer	2 410	365	120	48	440	3 383	3 250
Ms T Nkuna Executive: Regulatory Compliance	1 995	–	156	48	333	2 532	2 471
Mr T Maselwa Executive Manager: Legal	1 581	228	–	48	274	2 131	2 033
Adv M Nene Company Secretary	1 581	228	–	48	275	2 132	2 040
Total	14 724	1 492	540	288	2 560	19 604	18 925

35. Board of trustees' emoluments Group and Company

	Members' fees R'000	Travel costs R'000	Total 2020 R'000	Total 2019 R'000
Members				
Ms MT Ramuedzisi	185	–	185	180
Mr A Mahlalutye	105	–	105	180
Adv. LT Nevondwe	366	90	456	368
Mr P Letwaba*	–	–	–	–
Adv. E Mabuza**	–	–	–	–
Total	656	90	746	728

* Mr P Letwaba is a representative of NLC (as Regulator) and is not remunerated.

** Adv E Mabuza is a representative of Ithuba Holdings RF (Pty) Ltd] (as an Operator) and is not remunerated.

Notes to the financial statements (continued)

for the year ended 31 March 2020

36. Board members' emoluments Group and Company

The following fees were paid to or receivable by the Board of Directors and committee Members during the year under review:

Members	Board meeting fees R'000	Travel costs R'000	Cellphone allowance R'000	Total 2020 R'000	Total 2019 R'000
Prof NA Nevhutanda	1 572	442	21	2 035	1 591
Adv TS Kekana*	–	–	–	–	333
Adv WE Huma	946	159	14	1 119	873
Prof Y Gordhan	1 106	312	14	1 432	1 095
Dr M Madzivhandila	1 111	234	14	1 359	1 193
Ms D Dondur	1 066	298	14	1 378	1 207
Mrs Z Brown^	–	–	–	–	–
Total	5 801	1 445	76	7 322	6 292

^ Ms Brown is the Minister's Nominee. The member is not paid any board fees.

* Adv TS Kekana's term came to an end on 31 August 2018 and as from 1 September she was appointed as an expert advisor to the Board. Fees amounting to a total of R844 962 (2019 R437 155) were paid to her during the financial year.

37. 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 and sports pool 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 stipulated 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 (dtic). The National Lotteries Participants Trust (NLPT) was founded 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.

	GROUP		COMPANY	
	Year ended 31 March 2020 R'000	Year ended 31 March 2019 Restated R'000	Year ended 31 March 2020 R'000	Year ended 31 March 2019 Restated R'000
37.1 Transactions between the NLDTF and other parties				
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 NLDTF	–	–	(552 751)	(459 016)
Add: Trade and other payables from non-exchange transactions (Opening)	–	–	142 835	100 892
Less: Trade and other payables from non-exchange transactions (Closing)	–	–	(173 557)	(142 835)
	–	–	(583 473)	(500 959)
Ithuba Holdings (Pty) Ltd				
Proceeds from Ithuba (Pty) Ltd	1 632 334	1 626 291	–	–
Add: Trade and other receivables from non-exchange (Opening)	36 548	24 745	–	–
Less: Trade and other receivables from non-exchange (Closing)	(33 430)	(36 548)	–	–
Add: Unclaimed prizes and advanced days for Ithuba (Opening)	277 346	(270 829)	–	–
Less: Unclaimed prizes and advanced days for Ithuba (Closing)	(250 776)	(277 346)	–	–
Cash proceeds from Ithuba (Pty) Ltd	1 662 022	1 066 313	–	–

Notes to the financial statements (continued)

for the year ended 31 March 2020

37. Related party transactions (continued)

37.1. Transactions between the NLDTF and other parties (continued)

	GROUP		COMPANY	
	Year ended 31 March 2020 R'000	Year ended 31 March 2019 Restated R'000	Year ended 31 March 2020 R'000	Year ended 31 March 2019 Restated R'000
National Lotteries Participants 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 from NLPT	203 236	185 911		

The balances reflected represent cash received from NLPT and have been eliminated on consolidation.

The National Lotteries Participant Trust (NLPT) hold their trustee meetings on the premises of the NLC.

37.2 Controlling entity

The NLC reports to the Department of Trade and Industry and Competition which is a controlling entity. The following transactions took place between the DTIC and the NLC:

The National Department of Trade and Industry and Competition	-	1 290	-	1 290
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37.3 Entities under common control

The following entities are entities under the common control of the Department of Trade Industry and Competition.

No transactions took place between the NLC and these entities.

Companies and Intellectual Property Commission	-	-	-	-
Companies Tribunal	-	-	-	-
National Empowerment Fund	-	-	-	-
Export Credit Insurance Corporation of South Africa	-	-	-	-
SOC Limited	-	-	-	-
South African Bureau of Standards	-	-	-	-
National Credit Regulator	-	-	-	-
National Gambling Board	-	-	-	-
South African National Accreditation System	-	-	-	-
National Consumer Tribunal	-	-	-	-
National Consumer Commission	-	-	-	-
National Metrology Institute of South Africa	-	-	-	-
National Regulator for Compulsory Specifications	-	-	-	-
International Trade Administration Commission	-	-	-	-
Competition Commission	-	-	-	-
B-BBEE Commission	-	-	-	-

Notes to the financial statements (continued)

for the year ended 31 March 2020

38. 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 NLC and in which Distributing Agencies have significant interest. The transactions were in the ordinary course of business and at arm's-length.

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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* Term ended on 31 March 2019