Statement of financial performance

for the year ended 31 March 2019

	Note	Group		Company	
		Year ended 31 March 2019 R'000	Year ended 31 March 2018 Restated R'000	**Year ended 31 March 2019 R'000**	Year ended 31 March 2018 Restated R'000
REVENUE		**1 990 581**	1 790 607	**463 332**	430 521
Revenue from non-exchange transactions		**1 829 069**	1 598 829	**461 516**	429 027
Transfers from the NLDTF	1	**–**	–	**459 016**	426 527
Fund revenue	2	**1 826 569**	1 596 329	**–**	–
Licence fees	3	**2 500**	2 500	**2 500**	2 500
Revenue from exchange transactions		**161 512**	191 778	**1 816**	1 494
Other operating income	4	**11 964**	2 699	**1 443**	1 078
Fair value adjustment – investments	5	**7 969**	6 362	**–**	–
Surplus on disposal of property, plant and equipment	6	**–**	34	**–**	34
Investment and interest income	7	**141 579**	182 683	**373**	382
EXPENDITURE		**(1 754 713)**	(1 846 963)	**(463 332)**	(430 522)
Allocation of grants	8	**(1 261 421)**	(1 394 060)	**–**	–
Employee costs	9	**(268 671)**	(252 892)	**(268 671)**	(252 892)
Goods and services	10	**(204 136)**	(185 452)	**(184 284)**	(166 625)
Administration expenses	11	**(10 108)**	(3 554)	**–**	–
Depreciation, amortisation and impairment	12	**(10 192)**	(11 005)	**(10 192)**	(11 005)
Deficit on disposal of property, plant and equipment	13	**(185)**	–	**(185)**	–
Surplus/(deficit) for the year		**235 868**	(56 356)	**–**	–

Statement of financial position

as at 31 March 2019

	Note	Group		Company	
		Year ended 31 March 2019 R'000	Year ended 31 March 2018 Restated R'000	**Year ended 31 March 2019 R'000**	Year ended 31 March 2018 Restated R'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	**61 723**	35 048	**61 723**	35 048
Intangible assets	15	**114 916**	110 634	**114 916**	110 634
Financial assets – long term investments	16	**1 507 954**	1 632 511	**–**	–
		1 684 593	1 778 193	**176 639**	145 682
Current assets					
Financial assets – short term investments	16	**–**	5 213	**–**	–
Trade and other receivables from exchange transactions	17	**5 182**	11 531	**2 231**	2 493
Trade and other receivables from non-exchange transactions	17	**41 663**	24 745	**–**	–
Prepayments and deposits	18	**1 428**	1 319	**1 359**	1 319
Cash and cash equivalents	19	**575 087**	535 427	**21 462**	9 986
		623 360	578 235	**25 052**	13 798
Total assets		**2 307 954**	2 356 428	**201 691**	159 480
LIABILITIES					
Non-current liabilities					
Deferred income – license fees	20	**7 917**	10 417	**7 917**	10 417
		7 917	10 417	**7 917**	10 417
Current liabilities					
Current portion of deferred income – license fees	20	**2 500**	2 500	**2 500**	2 500
Provision for allocation by distributing agencies	21	**284 675**	580 368	**–**	–
Trade and other payables from exchange transactions	22	**15 076**	14 176	**14 807**	13 357
Trade and other payables from non-exchange transactions	22	**282 523**	270 891	**142 835**	100 892
Provisions	23	**33 632**	32 313	**33 632**	32 313
		618 406	900 248	**193 774**	149 062
Total liabilities		**626 323**	910 665	**201 691**	159 478
Net assets					
Accumulated funds		**1 681 630**	1 445 762	**–**	–
Total net assets and liabilities		**2 307 954**	2 356 428	**201 691**	159 480

Statement of changes in net assets

for the year ended 31 March 2019

	Note	Accumulated Surplus R'000
Group		
Restated balance as at 31 March 2016		1 351 715
Restated surplus for the year		**150 405**
Surplus for the year reported in 2016/17		127 992
Prior period error	27	22 413
Restated balance as at 31 March 2017		**1 502 119**
Restated surplus for the year		**(56 357)**
Deficit for the year reported in 2017/18		**55 697**
Prior period error	27	**(660)**
Balance as at 31 March 2018		**1 445 762**
Surplus for the year		**235 868**
Balance as at 31 March 2019		**1 681 630**

	Note	Accumulated Surplus R'000
Company		
Balance as at 31 March 2017		
At the beginning of the year		–
Surplus/(deficit) for the year		–
Balance as at 31 March 2018		–
Surplus/(deficit) for the year		–
Balance as at 31 March 2019		–

Statement of cash flows

for the year ended 31 March 2019

	Note	Group		Company	
		Year ended 31 March 2019 R'000	Year ended 31 March 2018 Restated R'000	**Year ended 31 March 2019 R'000**	Year ended 31 March 2018 Restated R'000
Cash flow from operating activities					
Cash receipts					
Transfers and subsidies		**–**	–	**500 959**	433 250
Cash received Ithuba (RF) (Pty) Ltd and other parties		**1 855 776**	1 598 978	**–**	–
Interest income		**85 844**	110 494	**354**	400
Cash received from beneficiaries and other parties		**5 171**	2 127	**1 604**	873
		1 946 791	1 711 599	**502 917**	434 522
Cash payments					
Cash paid to beneficiaries and other parties		**(1 625 767)**	(2 073 514)	**–**	–
Employee costs paid		**(267 208)**	(243 674)	**(267 208)**	(243 674)
Goods and services		**(182 898)**	(183 240)	**(182 898)**	(165 318)
		(2 075 873)	(2 500 429)	**(450 106)**	(408 993)
Net cash generated (utilised)/from operating activities	24	**(129 082)**	(788 830)	**52 809**	25 527
Cash flow from investing activities					
Net purchases of property, plant and equipment		**(37 036)**	(6 475)	**(37 036)**	(6 475)
Net purchases of intangible assets		**(4 296)**	(21 344)	**(4 296)**	(21 344)
Net investment of financial assets		**210 075**	436 054	**–**	–
Net cash flows generated from investing activities		**168 742**	408 235	**(41 332)**	(27 819)
Net increase/(decrease) in cash and cash equivalents		**39 660**	(380 595)	**11 476**	(2 292)
Cash and cash equivalents at the beginning of the year	19	**535 427**	916 022	**9 986**	12 278
Cash and cash equivalents at the end of the year	19	**575 087**	535 427	**21 462**	9 986

Statement of comparison of budget and actual amounts: Group

for the year ended 31 March 2019

R'000	Approved budget	Adjustments	Final budget	Actual amounts	Difference: final budget and actual
Revenue and income					
Share of ticket sales	1 487 581	–	1 487 581	1 626 291	**138 710**
Investment and interest received	126 127	–	126 127	141 579	**15 452**
Licence fees	2 500	–	2 500	2 500	**–**
Societies and other lotteries	60	–	60	94	**34**
Revenue from Participants Trust	170 072	–	170 072	200 278	**30 206**
Fair value adjustment	–	–	–	7 969	**7 969**
Sundry income	1 000	–	1 000	11 870	**10 870**
Total revenue and income	1 787 340	–	1 787 340	1 990 581	**203 241**
Expenses					
Employee costs	(276 581)	–	(276 581)	(268 671)	**7 910**
Allocation of grants	(1 250 709)	–	(1 250 709)	(1 261 421)	**(10 712)**
Current year allocations	(1 280 709)	–	(1 280 709)	(1 310 296)	**(29 587)**
Revocations	30 000	–	30 000	48 875	**18 875**
Professional fees	–	–	–	(17 893)	**(17 893)**
Goods and services	(213 189)	–	(213 189)	(186 243)	**26 946**
Administrative expenses	(2 974)	–	(2 974)	(10 108)	**(7 134)**
Depreciation and amortisation	(10 387)	–	(10 387)	(10 192)	**195**
Deficit on disposal of property, plant and equipment	–	–	–	(185)	**(185)**
Total expenditure	(1 753 840)	–	(1 753 840)	(1 754 713)	**(873)**
Surplus/(deficit) for the year	33 500	–	33 500	235 868	**202 368**
Capital expenditure					
Capital acquisitions	(63 405)	–	(63 405)	(41 392)	**22 013**

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

for the year ended 31 March 2019

Account	Explanation of difference	Amount R'000
Share of ticket sales	Revenue over-performed by 9% during the current financial year. This was as a result of the introduction of the new Powerball matrix, introduction of the new EaziWin online gaming and higher jackpot prizes which increased participation in the National Lottery. The introduction of the daily Lotto in March boosted sales further. Initiatives such as, amongst others, the launch of an E-commerce platform, the National Lottery mobile app and of business to business channels increased accessibility of the National Lottery to participants.	138 710
Investment and interest received	The targeted 8% return on investment was achieved. Actual return of investment for the year was 8.42%.	15 452
Revenue from participants trust	Revenue from Participants Trust includes expired prize monies and interest due to the NLDTF from the trust. The over performance is due to more expiries than were expected from participants who did not claim prizes.	30 206
Fair value adjustment	The fair value adjustment is as a result of favourable market movements in investments.	7 969
Sundry income	The variance is mainly attributable to the downward movement in the provision for doubtful debts.	10 870
Employee costs	The variance is 3% and is within the acceptable threshold of 10%.	7 910
Revocations	There were more revocations as a result of application of the Grants Finance Management Policy. In terms of the policy, revocations are distributed back to the relevant sector.	18 875
Current year allocations	The variance was sufficiently covered and funded from revocations which amounted to R47.8 million during the year under review as per the Grants Finance Management Policy.	(29 587)
Goods and services	The variance is mainly driven by the items below: • Staff Training – The roll out of the Monitoring and Evaluation (M & E) programme has been deferred to 2019/20. • Travel and Accommodation – The deferral of the M & E program to 2019/20 resulted in savings in the travel and accommodation that was budgeted for by Provinces. • Advertising and Publicity – The Provincial Office launches will materialise in 2019/20, upon completion of refurbishment of provincial properties. The NLC turns 20 years campaign which was budgeted for in the current will only commence in 2019/20.	26 946

Account	Explanation of difference	Amount R'000
Administrative expenses	The variance is mainly to the beneficiaries written off as bad debts as a result of prescription.	(7 134)
Professional fees	Professional fees for engineers that are responsible for projects which are capital in nature are funded from the grants allocations budget. There was no overspending.	(17 893)
Capital acquisitions	The NLC buildings were procured towards the end of the financial year and as a result the planned refurbishment did not take place before year end. The process of scoping business requirements on the ERP system is currently ongoing and could not be finalised by year end. The facilities management system, which was not concluded by year end, is anticipated to be finalised by the second quarter of the 2019/20 financial year.	22 013

Statement of comparison of budget and actual amounts: Company

for the year ended 31 March 2019

R'000	Approved budget	Adjustments	Final budget	Actual amounts	Difference: final budget and actual
Revenue					
Transfers from the NLDTF	494 990	–	494 990	459 016	**(35 974)**
Licence fees	2 500	–	2 500	2 500	**–**
Interest income	442	–	442	373	**(69)**
Other operating income	–	–	–	1 349	**1 349**
Societies & other lotteries	60	–	60	94	**34**
Total revenue	497 992	–	497 992	463 332	**(34 660)**
Expenses					
Employee costs	(276 581)	–	(276 581)	(268 671)	**7 910**
Goods and services	(211 024)	–	(211 024)	(184 284)	**26 740**
Depreciation and amortisation	(10 387)	–	(10 387)	(10 192)	**195**
Deficit on disposal of property, plant and equipment	–	–	–	(185)	**(185)**
Total expenditure	(497 992)	–	(497 992)	(463 332)	**34 660**
Surplus/(deficit) for the year	–	–	–	–	**–**
Capital expenditure					
Capital acquisitions	(63 405)	–	(63 405)	(41 392)	**22 013**

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.	(35 974)
Employee costs	The variance is 3% and is within the acceptable threshold of 10%.	7 910
Goods and services	The variance is mainly driven by the items below: • Staff Training – The roll out of the Monitoring and Evaluation (M & E) programme has been deferred to 2019/20. • Travel and Accommodation – The deferral of the M & E program to 2019/20 resulted in savings in the travel and accommodation that was budgeted for by Provinces. • Advertising and Publicity – The Provincial Office launches will materialise in 2019/20 upon completion of the refurbishment of provincial properties. The NLC turns 20 years campaign, which was budgeted for in the current year, will only commence in 2019/20.	26 740
Capital acquisitions	The NLC buildings were procured towards the end of the financial year and as a result the planned refurbishment did not take place before year end. The process of scoping business requirements on the ERP system is currently on-going and could not be finalised by year end. The facilities management system which was not concluded by year end is anticipated to be finalised by the second quarter of the 2019/20 financial year.	22 013

Summary of significant accounting policies

for the year ended 31 March 2019

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 the South African Generally Recognised 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 the NLDTF's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are outlined in point 11 of the summary of significant accounting policies.

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

New standards, amendments and interpretations approved and not yet effective

Standard	Scope and potential impact	Effective date
GRAP 20: Related Party Disclosures	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 32: Service Concession Arrangements: Grantor	None	
GRAP 108: Statutory Receivables	None	
GRAP 109: Accounting by Principles and Agents	None	
IGRAP 17: Interpretation of the Standard of GRAP on Service Concession Arrangements Where the Grantor Controls a Significant Residual Interest in an Asset	None	
IGRAP 18: Recognition and Derecognition of Land	None	
IGRAP 19: Liabilities to Pay Levies	None	
Guidelines: Accounting for arrangements undertaken in terms of the National Housing	None	

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 financial statements include the assets, liabilities and results of the operations of the holding company and its controlled entities. The controlling entity is the 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 NLPT is founded by the National 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, and 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 the NLPT in the financial statements of the 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 the 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 revenue, namely revenue from exchange transactions and revenue from non-exchange transactions.

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

Revenue from non-exchange transactions is defined as revenue in which the 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 the 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 by the National Lottery Operator as stipulated and agreed in the licence agreement with the 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) 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 the National Lotteries Participants Trust

Any interest that remains 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. Payment 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 during 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 the 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	3 to 17 years
Computer equipment	3 to 7 years
Network Infrastructure	Shorter of the estimated life or year of the lease, 7 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.

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 the 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.

6. Leases

6.1 Operating lease

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

The 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.

The NLC will derecognise a financial assets when:

(a) the contractual rights to the cash flows from the financial asset expire, are settled or are waived;

(b) The NLC transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

(c) The 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 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;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; and
- 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 the NLC, including:
  - adverse changes in the payment status of issuers or debtors of the NLC; and
  - national or local economic conditions that correlate with defaults on the assets of the NLC.

The NLC first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the 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, and 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

The 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.

The 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.

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

Summary of significant accounting policies (continued)

for the year ended 31 March 2019

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 and Audit 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. This includes spreading the investments held among reputable financial institutions.

12.3 Liquidity risk

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

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

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

The 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 leave is dependent on when employees resign.

13.3 Provision for bonus plan

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.

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

The 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 2019.

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 & Equipment (disclosure of contractual commitments for Property, Plant & Equipment); and
- GRAP 31 on Intangible Assets (disclosure of the contractual commitments for the acquisition of intangible assets).

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 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.

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.

Summary of significant accounting policies (continued)

for the year ended 31 March 2019

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 the 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.

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

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

When confirmed, irregular expenditure must be recorded in the notes to the financial statements. The amount to be recorded in the notes must be equal to the value of the irregular expenditure incurred unless it is impracticable to determine the value thereof. Where such impracticality exists, the reasons therefore must be provided in the notes. Irregular expenditure must be removed from the notes when it is either (a) condoned by the National Treasury or the relevant authority; (b) it is transferred to receivables for recovery; or (c) it is not condoned and is irrecoverable. A receivable related to irregular expenditure is measured at the amount that is expected to be recovered and must be de-recognised 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 2019/03/31. The budget for the economic entity includes all the entities approved budgets under its control. The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period has been included in the statement of comparison of budget and actual amounts.

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 2019

	Group		Company	
	Year ended 31 March 2019 R'000	Year ended 31 March 2018 Restated R'000	**Year ended 31 March 2019 R'000**	Year ended 31 March 2018 Restated R'000
1. Transfers from the NLDTF				
Payments from fund in respect of expenses	**–**	–	**459 016**	426 527
	–	–	**459 016**	426 527
2. Fund revenue				
Share of ticket sales	**1 626 291**	1 391 939	**–**	–
Expired and unclaimed prizes	**186 993**	187 720	**–**	–
Interest from the National Lotteries Participants Trust	**13 285**	16 670	**–**	–
	1 826 569	1 596 329	**–**	–
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	**94**	90	**94**	90
Sundry income*	**4 765**	1 378	**1 349**	988
Movement in the provision for doubtful debt	**7 105**	1 231	**–**	–
	11 964	2 699	**1 443**	1 078
** Sundry income mainly consists of unspent amounts returned by beneficiaries.*				
5. Fair value adjustment – Investment				
Fair value adjustment – Investment	**7 969**	6 362	**–**	–
	7 969	6 362	**–**	–
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. Surplus on disposal of property, plant and equipment	**–**	34	**–**	34
	–	34	**–**	34
7. Investment and interest income				
Call and current accounts	**4 982**	2 553	**373**	382
Interest income from investments	**131 582**	176 086	**–**	–
Interest income from National Lotteries Participants Trust current accounts	**5 015**	4 044	**–**	–
	141 579	182 683	**373**	382
8. Allocation of grants				
Current year allocations	**1 310 296**	1 506 013	**–**	–
Revocations	**(48 875)**	(111 953)	**–**	–
	1 261 421	1 394 060	**–**	–
9. Employee costs				
Salaries, wages and allowances	**197 394**	179 561	**197 394**	179 562
Medical aid fund contribution	**12 269**	10 680	**12 269**	10 680
Defined provident fund contributions	**21 630**	19 777	**21 630**	19 777
Defined benefit pension fund contributions	**–**	9	**–**	9
Social security levies (Unemployment Insurance Fund, Skills Development Levy)	**2 895**	2 624	**2 895**	2 625
Risk Benefit and Management Fees	**5 772**	5 408	**5 772**	5 407
Provision for leave pay	**66**	1 273	**66**	1 273
Provision for bonus	**28 645**	33 559	**28 645**	33 559
	268 671	252 892	**268 671**	252 892

	Group		Company	
	Year ended 31 March 2019 R'000	Year ended 31 March 2018 Restated R'000	**Year ended 31 March 2019 R'000**	Year ended 31 March 2018 Restated R'000
10. Goods and services				
Advertising and publicity	**22 718**	21 952	**22 718**	21 952
Audit fees	**4 676**	3 890	**3 642**	3 183
Bank charges	**212**	188	**90**	86
Computer expenses	**17 240**	20 944	**17 240**	20 944
Conferences and meetings	**2 122**	1 375	**2 122**	1 375
Consulting fees	**17 264**	14 949	**17 264**	14 949
Courier and delivery costs	**764**	599	**764**	599
Distributing Agency emoluments	**3 824**	3 647	**3 824**	3 647
Professional fees	**17 893**	17 675	**–**	–
Board member fees including Board committees	**6 539**	4 874	**6 539**	4 874
Insurance	**2 008**	1 927	**1 918**	1 927
Legal fees	**20 623**	11 382	**20 623**	11 382
Rental – Motor vehicles	**2 092**	2 112	**2 092**	2 112
Rental – Office buildings	**21 061**	21 101	**21 061**	21 101
Rental – Office equipment	**2 349**	1 970	**2 349**	1 970
Outsourcing	**15 754**	5 442	**15 754**	5 442
Printing and stationary	**2 984**	3 324	**2 984**	3 324
Refreshments and catering	**1 342**	1 309	**1 342**	1 309
Repairs and maintenance	**991**	2 008	**991**	2 008
Research	**2 734**	–	**2 734**	–
Small assets written off	**8**	32	**8**	32
Staff recruitment	**608**	68	**608**	68
Staff training	**6 444**	10 519	**6 444**	10 519
Staff welfare	**1 790**	1 546	**1 790**	1 546
Subscriptions	**454**	856	**454**	856
Sundry expenses	**5 481**	4 983	**5 481**	4 983
Telephone and internet charges	**6 270**	5 983	**6 270**	5 983
Travel and accommodation	**13 882**	16 390	**13 882**	16 390
Trustee fees	**713**	343	**–**	–
Water and electricity	**3 296**	4 064	**3 296**	4 064
	204 136	185 452	**184 284**	166 625
11. Administration expenses				
Management fees	**3 153**	3 073	**–**	–
Loss from financial instruments	**–**	65	**–**	–
Beneficiaries written off	**6 955**	416	**–**	–
	10 108	3 554	**–**	–
Beneficiaries written off relates to funds which were initially earmarked for recovery which were not recovered mainly due to prescription.				
12. Depreciation, amortisation				
12.1 Depreciation				
Network infrastructure	**1 194**	1 839	**1 194**	1 839
Computer equipment	**2 369**	2 356	**2 369**	2 356
Furniture and fittings	**1 416**	1 355	**1 416**	1 355
Leasehold improvements	**3 326**	3 039	**3 326**	3 039
Office equipment	**1 847**	1 834	**1 847**	1 834
Buildings	**25**	–	**25**	–
	10 177	10 423	**10 177**	10 423
12.2 Amortisation				
Software	**15**	237	**15**	237
Grants Management System	**–**	345	**–**	345
	15	582	**15**	582
Total	**10 192**	11 005	**10 192**	11 005

	Group		Company	
	Year ended 31 March 2019 R'000	Year ended 31 March 2018 Restated R'000	**Year ended 31 March 2019 R'000**	Year ended 31 March 2018 Restated R'000

13. Deficit on disposal of property, plant and equipment

	(185)	–	**(185)**	–
	(185)	–	**(185)**	–

14. 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 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**
Year ended 31 March 2018							
Opening carrying amount	–	4 534	5 137	9 779	5 421	14 712	39 583
Additions	3 824	382	1 133	45	363	209	5 956
Disposals	–	–	(58)	–	–	(10)	(68)
– Cost	–	–	(124)	–	–	(16)	(140)
– Accumulated Depreciation	–	–	66	–	–	6	72
Depreciation Charge	–	(1 839)	(2 356)	(1 355)	(3 039)	(1 834)	(10 423)
Closing carrying amount	3 824	3 077	3 856	8 469	2 745	13 077	35 048
At 31 March 2018							
Cost	3 824	7 723	9 802	14 284	8 789	18 192	62 614
Accumulated Depreciation	–	(4 646)	(5 946)	(5 815)	(6 044)	(5 115)	(27 566)
Carrying Amount	3 824	3 077	3 856	8 469	2 745	13 077	35 048

15. Intangible assets: Group and Company

R'000	Geographical Information System	Enterprise System*	Software**	Grant Management System	Website	Total
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	**–**	**–**	**–**	**–**	**–**	**–**
Impairment charge	**–**	**–**	**–**	**–**	**–**	**–**
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**
Year ended 31 March 2018						
Opening carrying amount	1 470	89 852	243	345	198	92 108
Additions	340	18 750	18	–	–	19 108
Disposals	–	–	–	–	–	–
– Cost	–	–	–	–	–	–
– Accumulated depreciation	–	–	–	–	–	–
Amortisation charge	–	–	(237)	(345)	–	(582)
Closing carrying amount	1 810	108 602	24	–	198	110 634
At 31 March 2018						
Cost	1 810	108 602	2 655	6 963	198	120 228
Accumulated amortisation/ impairment	–	–	(2 630)	(6 963)	–	(9 593)
Carrying amount	1 810	108 602	25	–	198	110 635

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

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

16. Financial assets

	Group		Company	
	Year ended 31 March 2019 R'000	Year ended 31 March 2018 R'000	**Year ended 31 March 2019 R'000**	Year ended 31 March 2018 R'000
The Group's investment in financial assets are summarised by measurement category below:				
Financial assets at amortised cost:				
– Money market securities	**–**	5 000	**–**	–
– Capital market securities	**1 100 000**	1 300 000	**–**	–
– Accrued interest	**398 698**	326 362	**–**	–
Financial assets at fair value				
– Equity intrinsic value	**9 256**	6 362	**–**	–
Total investment	**1 507 954**	1 637 724	**–**	–
Current	**–**	5 213	**–**	–
Non-current	**1 507 954**	1 632 511	**–**	–
	1 507 954	1 637 724	**–**	–

Maturity profile:

Money market securities are in the form of fixed deposits with maturity dates greater than three months but no more than twelve months. Funds are invested at fixed interest rates which vary per institution. The capital market securities comprise investments that are more than 12 months and comprise equity linked notes. The weighted average yield to maturity is 8.42% (2018: 8.40%).

	Group		Company	
	Year ended 31 March 2019 R'000	Year ended 31 March 2018 Restated R'000	**Year ended 31 March 2019 R'000**	Year ended 31 March 2018 Restated R'000
17. Trade and other receivables				
17.1 Trade and other receivables from exchange transactions:				
– Study loans and advances	**461**	804	**461**	804
– Staff receivables – Payroll	**706**	483	**706**	483
– Sundry debtors	**1 017**	1 178	**1 017**	1 178
Accrued income	**2 998**	9 066	**47**	28
– Interest receivable on current and call accounts	**2 998**	1 839	**47**	28
– Interest receivable on short term investments	**–**	7 227	**–**	–
Total	**5 182**	11 531	**2 231**	2 493
Claims from beneficiaries	**–**	–	**–**	–
– Gross amount claimed	**1 431**	8 536	**–**	–
– Provision for doubtful claim recovery from beneficiaries	**(1 431)**	(8 536)	**–**	–
Current	**5 182**	11 531	**2 231**	2 493
	5 182	11 531	**2 231**	2 493
17.2 Trade and other receivables from non-exchange transactions:				
Accrued income				
– Share of ticket sales from the National Lottery Operator	**36 548**	24 745	**–**	–
– Unclaimed funds – Ithuba Holdings (RF) (Pty) Ltd	**4 834**	–	**–**	–
– Advance sales due from Ithuba	**281**	–	**–**	–
Total	**41 663**	24 745	**–**	–
Current	**41 663**	24 745	**–**	–
	41 663	24 745	**–**	–
18. Prepayments and deposits				
Insurance and property rental prepayments	**778**	678	**709**	678
Deposits	**650**	641	**650**	641
	1 428	1 319	**1 359**	1 319

Deposits relate to amounts paid on inception of operating lease contracts entered into by the NLC for the leasing of property (refer to note 25.2 for details of operating lease commitments).

	Group 2019 R'000	Group 2018 Restated R'000	Company 2019 R'000	Company 2018 Restated R'000
19. Cash and cash equivalents				
Cash at bank – current account	**392 232**	369 119	**18 608**	7 221
Cash at bank – call account	**182 816**	3 186	**2 816**	2 728
Cash on hand	**38**	37	**38**	37
Fixed deposits with maturity dates less than three months	**1**	163 085	**–**	–
	575 087	535 427	**21 462**	9 986

Cash and cash equivalents included for the purposes of the cash flow statement are equal to the list detailed above. Included in the R2.816 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 accounts are not pledged.

Notes to the financial statements (continued)

for the year ended 31 March 2019

	Group		Company	
	Year ended 31 March 2019 R'000	Year ended 31 March 2018 Restated R'000	**Year ended 31 March 2019 R'000**	Year ended 31 March 2018 Restated R'000
20. Deferred revenue – Licence fees				
Opening balance	**12 917**	15 417	**12 917**	15 417
Amount charged to Statement of Financial Performance	**(2 500)**	(2 500)	**(2 500)**	(2 500)
Closing balance	**10 417**	12 917	**10 417**	12 917
Current	**2 500**	2 500	**2 500**	2 500
Non-current	**7 917**	10 417	**7 917**	10 417
	10 417	12 917	**10 417**	12 917
21. Provision for allocation by distributing agencies				
Opening balance	**580 368**	1 259 822	**–**	–
Additional provision made during the year	**1 310 296**	1 506 013	**–**	–
Payments made during the year	**(1 557 114)**	(2 073 514)	**–**	–
Revocations	**(48 875)**	(111 953)	**–**	–
Closing balance	**284 675**	580 368	**–**	–
Current	**284 675**	580 368	**–**	–
	284 675	580 368	**–**	–
Cash 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 commitments are in accordance with duly signed grant agreements.				
22. Trade and other payables				
22.1 Trade and other payables from exchange transactions				
Supplier payables	**787**	133	**787**	133
Accruals	**13 853**	10 752	**13 584**	9 933
Payroll creditors	**1**	129	**1**	129
Straight-lining of operating lease payments	**435**	3 162	**435**	3 162
	15 076	14 176	**14 807**	13 357
Current	**15 076**	14 176	**14 807**	13 357
Non-current	**–**	–	**–**	–
	15 076	14 176	**14 807**	13 357
22.2 Trade and other payables from non-exchange transactions:				
– National Lottery Distribution Trust Fund	**–**	–	**142 835**	100 892
– Unallocated funds	**62**	62	**–**	–
– Unclaimed prizes – Ithuba Holdings (RF) (Pty) Ltd	**268 976**	259 261	**–**	–
– Unclaimed funds – Ithuba Holdings (RF) (Pty) Ltd	**–**	1 568	**–**	–
– Advance sales due to winners – Ithuba Holdings (RF) (Pty) Ltd	**13 485**	8 260	**–**	–
– Advance Sales due to Ithuba Holdings (RF) (Pty) Ltd	**–**	1 740	**–**	–
	282 523	270 891	**142 835**	100 892

	Group		Company	
	Year ended 31 March 2019 R'000	Year ended 31 March 2018 Restated R'000	**Year ended 31 March 2019 R'000**	Year ended 31 March 2018 Restated R'000
23. Provisions				
Leave pay				
Opening balance	**5 183**	4 611	**5 183**	4 611
Additional provisions raised	**4 630**	5 183	**4 630**	5 183
Used during the year	**(620)**	(701)	**(620)**	(701)
Unused amounts reversed	**(4 564)**	(3 910)	**(4 564)**	(3 910)
Closing balance	**4 630**	5 183	**4 630**	5 183
Bonus				
Opening balance	**27 130**	16 428	**27 130**	16 428
Additional provisions raised	**29 002**	27 130	**29 002**	27 130
Used during the year	**(26 686)**	(16 428)	**(26 686)**	(16 428)
Unused amounts reversed	**(445)**	–	**(445)**	–
Closing balance	**29 002**	27 130	**29 002**	27 130
Current	**33 632**	32 313	**33 632**	32 313
Non-current	**–**	–	**–**	–
	33 632	32 313	**33 632**	32 313
24. Cash flow information				
24.1 Cash generated by operations				
Surplus/(deficit) per the statement of financial performance	**235 868**	(56 356)	**–**	–
Adjusted for:				
Non-cash items:				
Amortisation and impairment	**15**	582	**15**	582
Deferred revenue	**(2 500)**	(2 500)	**(2 500)**	(2 500)
Depreciation	**10 177**	10 423	**10 177**	10 423
Operating lease payments smoothing	**(2 727)**	(912)	**(2 727)**	(912)
(Profit) or loss on sale of assets	**185**	(34)	**185**	(34)
Provision for bad debts	**(7 105)**	(1 231)	**–**	–
Bad debts written off	**6 955**	416	**–**	–
Fair value adjustment	**(7 969)**	(6 362)	**–**	–
	232 899	(55 974)	**5 150**	7 560
Working capital changes				
– Increase/(decrease) in trade and other receivables	**(139 305)**	(27 296)	**91**	249
– Increase/(decrease) in trade and other payables	**71 697**	(37 009)	**46 249**	6 815
– Increase/(decrease) in provisions	**1 319**	10 903	**1 319**	10 903
– Decrease in provision for allocation of Distributing Agency	**(295 693)**	(679 454)	**–**	–
Net cash generated/(utilised) from operating activities	**(129 082)**	(788 830)	**52 809**	25 527

	Group		Company	
	Year ended 31 March 2019 R'000	Year ended 31 March 2018 Restated R'000	**Year ended 31 March 2019 R'000**	Year ended 31 March 2018 Restated R'000
25. Commitments				
25.1 Capital commitments				
Purchase order commitments	**3 852**	–	**3 852**	–
	3 852	–	**3 852**	–
Capital commitments relate to capital acquisitions. Contract commitments are ranging from 12 to 36 months.				
25.2 Operating lease commitments				
The NLC leases buildings for its head office and provincial offices under operating leases. The remaining years of the leases range from one year to three years. The future minimum commitments in terms of the leases of buildings, including the NLC's head office are as follows:				
Due within one year	**3 009**	19 705	**3 009**	19 705
Due within two to five years	**968**	1 588	**968**	1 588
Due after five years	**–**	–	**–**	–
Net commitment	**3 977**	21 293	**3 977**	21 293
The lease term of the provincial leases is one (1) year with the exception of the Polokwane office which is five (5) years. The lease in Polokwane escalates at 7% per annum. The lease for Free State came to an end on 31 October 2018 and the lease for Head Office and North West ended on 31 March 2019.				
25.3 Operating commitments				
Purchase order commitments	**6 850**	477	**6 850**	477
Contract commitments	**10 393**	21 622	**10 393**	21 622
	17 243	22 099	**17 243**	22 099

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

26. 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: 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: 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 Audit Committee; and
- 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 2019						
Financial instruments at amortised cost:						
Unlisted:						
– Capital market securities	1 498 698	1 498 698	–	–	–	–
– Trade and other receivables from exchange transaction	5 182	5 182	–	2 231	2 231	–
– Trade and other receivables from non-exchange transaction	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	2 129 886	178 067	201 691	23 693	177 998
Financial liabilities at amortised cost:						
– Provision for allocation by Distributing Agencies	284 675	284 675	–	–	–	–
– 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 – license fees	10 417	–	10 417	10 417	–	10 417
– Provisions	33 632	–	33 632	33 632	–	33 632
Total liabilities	626 323	582 274	44 049	201 691	157 642	44 049

	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 2018						
Financial instruments at amortised cost:						
Unlisted:						
– Money market securities	5 213	5 213	–	–	–	–
– Capital market securities	1 626 149	1 626 149	–	–	–	–
– Trade and other receivables from exchange transactions	11 531	11 531	–	2 493	2 493	–
– Trade and other receivables from non-exchange transactions	24 745	24 745	–	–	–	–
Financial instruments at fair value:						
– Cash and cash equivalents	535 427	535 427	–	9 986	9 986	–
– Equity intrinsic value	6 362	6 362	–	–	–	–
Non-financial assets						
– Other assets	145 682	–	145 682	145 682	–	145 682
– Deposits and prepayments	1 319	–	1 319	1 319	–	1 319
Total assets	2 356 427	2 209 426	147 001	159 480	12 479	147 001
Financial liabilities at amortised cost:						
– Provision for allocation by distributing agencies	580 368	580 368	–	–	–	–
– Trade payables from exchange transactions	14 176	14 176	–	13 357	13 357	–
– Trade payables from non-exchange transactions	270 891	270 891	–	100 892	100 892	–
Non-financial liability						
– Deferred income – license fees	12 917	–	12 917	12 917	–	12 917
– Provisions	32 313	–	32 313	32 313	–	32 313
Total liabilities	910 664	865 434	45 230	159 478	114 249	45 230

* *Financial instruments previously included balances for deposits and prepayments. These have been disclosed as other non-financial assets.*
** *Financial instruments disclosure for the prior years were made only for the Group. The Company information has been reported.*

26.1 Financial assets and liabilities

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

	Group		Company	
	31 March 2019 R'000	31 March 2018 R'000	**31 March 2019 R'000**	31 March 2018 R'000
Financial instruments at amortised cost:				
Unlisted:				
– Money market securities	**–**	5 213	**–**	–
– Capital market securities	**1 498 698**	1 626 149	**–**	–
– Trade and other receivables from exchange transaction	**5 182**	11 531	**2 231**	2 493
– Trade and other receivables from non-exchange transaction	**41 663**	24 745	**–**	–
Financial instruments at fair value:				
– Cash and cash equivalents	**575 087**	535 427	**21 462**	9 986
– Equity intrinsic value	**9 256**	6 362	**–**	–
Total financial assets	**2 129 886**	2 209 426	**23 693**	12 479
Financial liabilities at amortised cost:				
– Provision for allocation by Distributing Agencies	**284 675**	580 368	**–**	–
– Trade payables from exchange transactions	**15 076**	14 176	**14 807**	13 357
– Trade payables from non-exchange transactions	**282 523**	270 891	**142 835**	100 892
Total financial liabilities	**582 274**	865 434	**157 642**	114 249

26. Management of financial risk (continued)

26.1 Financial assets and liabilities

26.1.1 Market risk

(a) Interest rate risk

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

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 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	**284 675**	**–**	**–**	**284 675**
– Trade payables from exchange transactions	**15 076**	**–**	**–**	**15 076**
Total financial liabilities	**299 751**	**–**	**–**	**299 751**
As at 31 March 2018				
Financial instruments at amortised cost:				
Unlisted:				
– Money market securities	5 213	5 213	–	–
– Capital market securities	1 626 149	1 626 149	–	–
– Trade and other receivables from exchange transactions	11 531	–	–	11 531
– Trade and other receivables from non-exchange transactions	24 745	–	–	24 745
Financial instruments at fair value:				
– Cash and cash equivalents	535 427	163 085	372 305	37
– Equity intrinsic value	6 362	–	–	6 362
Total financial assets	2 209 426	1 794 446	372 305	42 675
Financial liabilities at amortised cost:				
– Provision for allocation by Distributing Agencies	580 368	–	–	580 368
– Trade payables from exchange transactions	14 176	–	–	14 176
Total financial liabilities	594 543	–	–	594 543

26. Management of financial risk (continued)

26.1 Financial assets and liabilities

26.1.1 Market risk (continued)

	Company			
	Carrying amount R'000	Fixed R'000	Floating R'000	Non-interest bearing R'000
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	**38 769**	**15 076**	**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**
As at 31 March 2018				
Financial instruments at amortised cost:				
Unlisted:				
– Trade and other receivables from exchange transactions	2 493	–	–	2 493
Financial instruments at fair value:				
– Cash and cash equivalents	9 986	–	9 949	37
Total financial assets	12 479	–	9 949	2 530
Financial liabilities at amortised cost:				
– Trade payables from exchange transactions	13 357	–	–	13 357
Total financial liabilities	13 357	–	–	13 357

^ *Financial instruments previously included balances for deposits and prepayments provisions. These are no longer disclosed as financial instruments as they are not financial instruments.*

^^ *Financial instruments disclosure for the prior years were made only for the Group. The Company information has been reported.*

26.1.2 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; and
- 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.

	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:						
– Money market securities	–	–	–	–	–	–
– 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**	**–**

26. Management of financial risk (continued)

26.1 Financial assets and liabilities (continued)

26.1.2. Credit risk (continued)

	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 2018						
Financial instruments at amortised cost:						
Unlisted:						
– Money market securities	5 213	–	–	–	5 213	–
– Capital market securities	1 626 149	–	–	–	1 626 149	–
Financial instruments at fair value:	–					
– Cash and cash equivalents	535 427	–	–	–	535 427	–
– Equity intrinsic value	6 362	–	–	–	6 362	–
	2 166 789	**–**	**–**	**–**	**2 166 789**	**–**

	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**	**–**

	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 2018						
Financial instruments at fair value:	–					
– Cash and cash equivalents	9 986	–	–	–	9 986	–
	9 986	–	–	–	9 986	–

Credit risk relating to receivables

	Group		Company	
R'000	**31 March 2019**	31 March 2018	**31 March 2019**	31 March 2018
Ithuba (Pty) Ltd	**36 548**	24 745	**–**	–
Beneficiaries	**1 431**	8 536	**–**	–
Staff receivables and other receivables from exchange transactions	**5 182**	11 531	**2 231**	2 493
	43 161	44 812	**2 231**	2 493

26.1.2. Credit risk (continued)

The ageing of the components of trade and receivables was:

	Group			
	Gross 31 March 2019 R'000	**Impairment 31 March 2019 R'000**	Gross 31 March 2018 R'000	Impairment 31 March 2018 R'000
Within a year	**41 730**	**–**	36 276	–
Later than one year	**1 431**	**(1 431)**	8 536	(8 536)
Total	**43 161**	**(1 431)**	44 812	(8 536)

	Company			
	Gross 31 March 2019 R'000	**Impairment 31 March 2019 R'000**	Gross 31 March 2018 R'000	Impairment 31 March 2018 R'000
Within a year	**2 231**	**–**	2 493	–
Later than one year	**–**	**–**	–	–
Total	**2 231**	**–**	2 493	–

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

	Group		Company	
	31 March 2019 R'000	31 March 2018 R'000	**31 March 2019 R'000**	31 March 2018 R'000
Balance at the beginning of the year	**8 536**	9 767	**–**	–
Movement in provision	**(7 105)**	(1 231)	**–**	–
Balance at the end of the year	**1 431**	8 536	**–**	–

26.1.3. 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 2019				
Provision for allocation by Distributing Agencies	**284 675**	**284 675**	**–**	**–**
Total	**284 675**	**284 675**	**–**	**–**
As at 31 March 2018				
Provision for allocation by Distributing Agencies	580 368	580 368	–	–
Total	580 368	580 368	–	–

* *Liquidity risk disclosure for the prior years were made only for the Group. The Company information has been reported.*

27. Prior year error

Good and services – Company

- During the current financial year it was discovered a month's insurance expense amounting to R158 949,93 was erroneously accounted twice in the 2017/18 financial year.

Revenue from non-exchange transactions

- During the current financial year it was discovered that prizes amounting to R22 412 591,86 had expired during the financial year ended 2017 and were therefore due to the NLDTF.
- During the current financial period, the NLC implemented the recommendations of the AGSA from the 2017/18 financial audit to consolidate the NLPT. The NLPT was founded by the National Lottery Operator [herein Ithuba Holdings (RF) (Pty) Ltd in terms of the licence agreement between the dti, the NLC and the National Lottery Operator. The main of objective of the NLPT is to hold monies in the Trust on behalf of Ithuba for prize winners and monies for advanced plays. Independent Trustees are charged with the responsibility to ensure that monies held in the Trust are safeguarded in terms of the Trust Deed. The impact of the consolidation is explained below:

Good and services

- The expenses of the trust, namely audit fees, trustee remuneration and bank charges were consolidated in the financial statements of the NLC.

Interest income

- Interest received for the trust was consolidated into the financial statements of the NLC.

Administrative expenses

- Expenses for the administration of the trust were consolidated into the financial statements of the NLC.

Trade and other payables from exchange transactions

- The liabilities relating to Unclaimed Prizes and Unclaimed Funds due to Ithuba Holdings RF (Pty) Ltd, Advance Sales due to winners and Advance Sales due to Ithuba Holdings RF (Pty) Ltd were included in the consolidated financial statements.

Cash and cash equivalents

- Cash and cash equivalents of the NLPT related to the Advance and Online Play account, Expired Account, Interest Account and Prize Money Account were consolidated in the financial statements of the NLC.

Trade and other receivables from non-exchange transactions

- The receivables related to unclaimed prizes and interest from the Participants Trust were eliminated in the NLC consolidated financial statements.

	Group		Company	
	Year ended 31 March 2018 R'000	Year ended 31 March 2017 R'000	Year ended 31 March 2018 R'000	Year ended 31 March 2017 R'000
The impact of the correction of errors is as follows:				
Increase/(decrease) in Fund revenue	(819)	22 413	–	–
Increase/(decrease) in interest income	4 044	4 041	–	–
Increase in goods and services	(204)	(1 209)	159	–
Increase in administrative expenses	(3 681)	(2 832)	–	–
Increase in statement of financial performance	(660)	22 413	159	–
Increase/(decrease) in trade and other payables from non-exchange transactions	(271 488)	(280 474)	(159)	–
Increase in cash and cash equivalents	323 718	366 712	–	–
Decrease in trade and other receivables from non-exchange transactions	(52 888)	(63 825)	–	–
Increase in net assets	(660)	22 413	(159)	–

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for the year ended 31 March 2019

28. Taxation

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

29. Contingent asset

During the 2016/17 financial year an amount was deducted by SARS from the bank account of the NLC. The NLC has disputed the amount as it was incorrectly deducted. The first dispute was in favour of the NLC and SARS reversed penalties that were incorrectly charged, however the interest thereon was not reversed. The NLC has disputed the interest charged and SARS has initiated the process and is awaiting approval of the refund. The amount of interest being disputed is R5 million.

30. Events after reporting date

The NLPT engaged National Treasury on 9 April 2019 regarding the applicability of the Public Finance Management Act, No. 1 of 1999 (PFMA) in relation to the NLPT. National Treasury concluded on 26 June 2019 that the NLPT was created by a private company, Ithuba Holdings (RF) (Pty) Ltd, as required by the licence agreement and is not under the control of the NLC. Furthermore, the NLPT is not a subsidiary of the NLC. Based on this National Treasury concluded that the NLPT is not an institution which the PFMA as amended applies. The Auditor General of South Africa (AGSA) was informed of this outcome and on 16 July 2019 confirmed that they agree with the conclusion of National Treasury and further stated that the funding model of the NLPT is such that it's not funded from the National Revenue Fund as no legislation specifies that the NLPT receives money for a public purpose.
The AGSA is currently determining the applicability of section 4(3)(b)(ii) of the Public Audit Act.

31. Contingent liabilities

The claims against the NLDTF relate to pending cases against beneficiaries to the organisation.

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Legal fees	**–**	–	**–**	–
Contingent liability at the end of the year	**–**	–	**–**	–

32. 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
Fund Revenue	1 487 581	1 487 581	–	No adjustments to budget
Revenue from Participants Trust	170 072	170 072	–	No adjustments to budget
Investments and interest received	126 127	126 127	–	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 lotteries	60	60	–	No adjustments to budget
Employee costs	(276 581)	(276 581)	–	No adjustments to budget
Allocation of grants	(1 250 709)	(1 250 709)	–	No adjustments to budget
Goods and services	(213 189)	(213 189)	–	No adjustments to budget
Depreciation and amortisation	(10 387)	(10 387)	–	No adjustments to budget
Capital acquisitions	(63 405)	(63 405)	–	No adjustments to budget

33. 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	494 990	494 990	–	No adjustments to budget
Licence fees	2 500	2 500	–	No adjustments to budget
Interest income	442	442	–	No adjustments to budget
Society lotteries	60	60	–	No adjustments to budget
Employee costs	(276 581)	(276 581)	–	No adjustments to budget
Goods and services	(211 024)	(211 024)	–	No adjustments to budget
Depreciation and amortisation	(10 387)	(10 387)	–	No adjustments to budget
Capital acquisitions	(63 405)	(63 405)	–	No adjustments to budget

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

Members	Members' fees R'000	Travel costs R'000	Professional fees R'000	Total 2019 R'000	Total 2018 R'000
Dr JH Adams	269	22	120	**411**	241
Mr RR Mali	384	68	241	**693**	609
Mr ME Ncula	595	21	415	**1 032**	689
Ms A Hill	312	24	103	**439**	350
Ms R Ravele	324	18	116	**458**	396
Mr TA Sikhosana	282	–	100	**382**	302
Ms A van Wieringen	–	–	–	**–**	13
Ms J Krubavathi	101	7	89	**197**	169
Total	2 268	161	1 184	**3 613**	2 769

35. Executive managements emoluments Group and Company

Executives	Basic salary R'000	Provident fund and risk benefit contributions R'000	Travel allowance R'000	Cell phone allowance R'000	Performance bonus R'000	Total 2019 R'000	Total 2018 R'000
Mrs T Mampane Commissioner	2 925	55	144	–	472	**3 596**	3 382
Mr P Letwaba Chief Operations Officer	2 346	393	120	48	447	**3 353**	3 003
Ms X Ntuli Chief Financial Officer	1 651	231	–	48	251	**2 181**	2 518
Mr M Ramusi Chief Information Officer	2 334	343	120	48	405	**3 250**	2 951
Ms T Nkuna Executive: Regulatory Compliance	1 923	37	156	48	307	**2 471**	2 252
Mr T Maselwa Executive Manager: Legal	1 533	214	–	48	238	**2 033**	543
Adv. M Nene Company Secretary	1 533	214	–	55	238	**2 040**	543
Ms M Makoela Executive: Corporate Services**	–	–	–	–	–	**–**	818
Mr J du Preez Senior Executive: Grant Funding*	–	–	–	–	–	**–**	818
Total	14 245	1 488	540	295	2 356	**18 925**	16 829

* *The contract of Mr J du Preez came to and end on 9 April 2017*
** *The contract of Ms M Makoela came to and end on 30 June 2017*

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36. Board of Trustee's emoluments Group and Company

Members	Members' fees R'000	Travel costs R'000	**Total 2019 R'000**	Total 2018 R'000
Ms MT Ramuedzisi	180	–	**180**	95
Mr A Mahlalutye*	180	–	**180**	–
Adv LT Nevondwe	280	88	**368**	208
Adv W Huma	–	–	**–**	40
Mr P Letwaba**	–	–	**–**	–
Adv E Mabuza***	–	–	**–**	–
Total	640	88	**728**	343

* *The contract for Mr A Mahlalutye commenced on 1 February 2018*
** *Mr P Letwaba is a representative of NLC (as Regulator) and is not remunerated*
*** *Adv. E Mabuza is a representative of Ithuba (as an Operator) and is not remunerated*

37. 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	Cell phone allowance R'000	**Total 2019 R'000**	Total 2018 R'000
Prof NA Nevhutanda	1 468	103	21	**1 591**	1 366
Ms M Mokoka*	–	–	–	**–**	32
Ms NEP Loyilane	–	–	–	**–**	6
Prof G Reddy*	–	–	–	**–**	36
Adv TS Kekana	719	40	12	**771**	406
Mr A Cowell*	–	–	–	**–**	14
Adv WE Huma**	823	36	14	**873**	691
Prof Y Gordhan**	1 030	51	14	**1 095**	789
Dr M Madzivhandila**	1 087	92	14	**1 193**	913
Ms D Dondur**	1 141	53	13	**1 207**	703
Mrs Z Brown^	–	–	–	**–**	23
Total	6 268	375	86	**6 729**	4 979

* *The term of the members came to an end on 30 April 2017*
** *The term of the members commenced on 1 May 2017*
^ *Mrs Brown is the Minister's Nominee. She is not paid any board fees. The amount that was paid relates to travel expenditure*

38. Related party transactions

The NLC is a regulator of the National Lottery. Ithuba Holdings (RF) (Pty) Ltd is a private company that currently operates the National Lottery under licence from Government. Ithuba commenced as the licence operator from 1 June 2015 after the licence agreement with the previous operator (Gidani (Pty) Ltd) came to an end on 31 May 2015. The National Lottery Operator pays a percentage of ticket sales to the NLDTF in terms of the license agreement. These proceeds are destined for good causes as specified in the Lotteries Act. The NLC manages the NLDTF and accounts for all running costs. Furthermore, the NLC may, upon request by the Minister, Board or on its own initiative in consultation with the Board, conduct research on worthy good causes that may be funded without lodging an application prescribed in terms of the Lotteries Act. The NLC withdraws the necessary funds required from the NLDTF, based on an overall annual budget approved by the Minister of Trade and Industry. The National Lotteries Participants Trust (NLPT) was founded by the National Lottery Operator Ithuba Holdings (RF) (Pty) Ltd in terms of the licence agreement. The main of objective of the NLPT is to hold monies in the Trust for prize winners and monies for advanced plays. Independent Trustees are charged with the responsibility to ensure that monies held in the Trust are safeguarded in terms of the Trust Deed.

38. Related party transactions (continued)

	Group		Company	
	Year ended 31 March 2019 R'000	Year ended 31 March 2018 Restated R'000	**Year ended 31 March 2019 R'000**	Year ended 31 March 2018 Restated R'000
38.1 Transactions between the NLDTF and other parties				
Transfers from the NLDTF – (Actual payments to the NLC amounted to R500 million for the current year (2017/18 R433 million)	**–**	–	**459 016**	426 687
Receivables from non-exchange transactions – the NLC	**–**	–	**142 835**	100 732
Ithuba Holdings (Pty)Ltd				
Proceeds from Ithuba (Pty) Ltd	**1 626 291**	1 391 939	**–**	–
Add: Trade and other receivables from non-exchange (opening)	**24 745**	28 056	**–**	–
Less: Trade and other receivables from non-exchange (closing)	**(36 548)**	(24 745)	**–**	–
Add: Unclaimed prizes and advanced days for Ithuba (opening)	**(270 829)**	256 363	**–**	–
Less: Unclaimed prizes and advanced days for Ithuba (closing)	**(277 346)**	270 829	**–**	–
Cash proceeds from Ithuba (Pty) Ltd	**1 066 313**	1 922 442	**–**	–
Gidani (Pty) Ltd				
Proceeds from Gidani (Pty) Ltd	**–**	36 665	**–**	–
	–	36 665	**–**	–
National Lotteries Participants Trust (NLPT)				
Revenue from the NLPT	**200 278**	204 390	**–**	–
Add: Trade and other receivables from non-exchange transactions (opening)*	**53 664**	40 683	**–**	–
Less: Trade and other receivables from non-exchange transactions (closing)	**(67 971)**	(53 664)	**–**	–
Cash proceeds	**185 971**	191 409	**–**	–
38.2 Controlling entity				
The NLC reports to the Department of Trade and Industry which is a controlling entity. The following transactions took place between the dti and the NLC:				
The National Department of Trade and Industry	**1 290**	170	**1 290**	170
38.3 Entities under common control				
The following entities are entities under the common control of the Department of Trade and Industry. 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	**–**	–	**–**	–
ITAC	**–**	–	**–**	–
Competition Commission	**–**	–	**–**	–
B-BBEE Commission	**–**	–	**–**	–

* *During the current financial year it was discovered that the opening balance was erroneously disclosed as R4.355 million instead of R40.685 million in the disclosure of note 22.2 of the 2017/18 consolidated annual financial statements*

Notes to the financial statements (continued)

for the year ended 31 March 2019

39. 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 their ability to adjudicate impartially do not adjudicate on 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.

Sector	Name of beneficiary	Distributing agency member	Nature of relationship	Amount granted 2018/19 R'000	Payments 2018/19 R'000	Revocations 2018/19 R'000	Amount owing 2018/19 R'000	Amount owing 2017/18 R'000
SRDA	Athletics South Africa	Mr Skhosana and Dr Adams	Mr Skhosana: President of ASA Dr Adams: Deputy President	–	**6 112**	–	–	6 112
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	–	**2 000**	–	**500**	2 500
SRDA	Athletics North West	Mr Skhosana and Dr Adams	Mr Skhosana: President of ASA Dr Adams: Deputy President	–	**382**	–	–	382
SRDA	Western Province Athletics	Mr Skhosana and Dr Adams	Mr Skhosana: President of ASA Dr Adams: Deputy President	–	**1 102**	–	–	1 102
SRDA	Athletics Gauteng North	Mr Skhosana and Dr Adams	Mr Skhosana: President of ASA Dr Adams: Deputy President	–	**210**	–	–	210
SRDA	Central Gauteng Athletics	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	**2 111**	**1 800**	–	**311**	–
SRDA	Eastern Provincial Athletics	Mr Skhosana and Dr Adams	The Eastern Provincial Athletics is affiliated to Athletics South Africa of which Mr Skhosana is the president and Dr Adams is the Deputy President	**750**	**550**	–	**200**	–
SRDA	Athletics Vaal Triangle	Mr Skhosana and Dr Adams	Mr Skhosana: President of ASA Dr Adams: Deputy President	–	**370**	–	–	370

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.

Sector	Name of Beneficiary	Distributing Agency Member	Nature of Relationship	Amount granted 2018/19 R'000	Payments 2018/19 R'000	Revocations 2018/19 R'000	Amount owing 2018/19 R'000	Amount owing 2017/18 R'000
SRDA	MAVU	Ms M Ravele and Ms A Hill	Ms M Ravele and Ms A Hill (Chairperson of Assisted Organisation – South African Women and Sports Foundation	–	**2 000**	–	**2 000**	4 000
SRDA	Park Tennis Club	Ms M Ravele	Ms Ravele used to be Chairperson of Wheelchair Tennis SA which is affiliated to Tennis SA where Ms Ravele is also a Board Director	**150**	**150**	–	–	–