

National Lotteries Board

Annual Report 2008



National Lotteries Board

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National Lotteries Board

CHAIRPERSON'S REPORT

Mr. M Mpahlwa

Minister of Trade and Industry

Report of the National Lotteries Board for the period 1 April 2007 to
31 March 2008.

I am honoured to be able to present the tenth Annual Report of the National Lotteries Board for the year ended 31 March 2008, in accordance with section 12 of the Lotteries Act (No. 57 of 1997), as amended, and the Public Finance Management Act (No. 1 of 1999), as amended.



J A Foster

Chairman



National Lotteries Board

CHAIRPERSON'S MESSAGE



As one prepares the message for the financial year ending 31 March 2008, one cannot help but reflect on the developments and challenges of the past 10 years. Since my appointment as Chairperson of the National Lotteries Board in October 1998, I have had the maximum support from the Members of the Board, most of whom have also served almost 10 years on the Board with me. The Lotteries Act makes provision for only two

terms per Member and it is with a level of sadness and pride that I write this, my last message as Chairperson of the National Lotteries Board.

The advent of the National Lottery in March 2000 has changed the landscape of South Africa with the National Lottery brand being one of the most recognisable in South Africa. When the first lottery licence was awarded in 1999, there was great excitement and anticipation. There was also a level of anxiety because for the first time in South Africa we were going to have a legal National Lottery with a vast network of retail outlets throughout the country. While the illusion of winning millions entranced all who participated, the Board had to ensure that measures were in place to promote responsible participation while aiming for a maximum contribution to good causes. We have been able to achieve this with the first operator, Uthingo Management (Pty) Ltd. under the initial leadership of the late Mr Humphrey Khoza. Many millionaires were created and thousands of NGOs became beneficiaries of the National Lottery Distribution Trust Fund (NLDTF). There were 718 people who were Lotto millionaires in the period that the National Lottery was run by Uthingo Management. In the Uthingo Management licence period, an average of 22% of ticket sales was contributed to the National Lottery Distribution Trust Fund for distribution to good cause organisations.

After the Licence to Operate the National Lottery awarded to Gidani (Pty) Ltd. was set aside following an application before the High Court by Uthingo Management, there was a period of six months without

the National Lottery. Once the issues of concern were addressed, the Minister of Trade and Industry awarded the Licence to Operate the National Lottery once again to Gidani (Pty) Ltd. on 29 September 2007 and the lottery went live on 13 October 2007. The contribution to the NLDTF during the current licence period will be 34%. We look forward to a greater contribution to NGOs as a result of the larger contribution to the NLDTF by Gidani (Pty) Ltd.

Over 10 000 NGOs benefited from grants from the National Lottery Distribution Trust Fund, many of whom had never previously had access to funding. By the end of March 2008, more than R5,6 billion had been allocated to beneficiary organisations, making the NLDTF the largest funder in South Africa. With these achievements come new challenges that are constantly addressed.

With the assistance and diligence of the Board Members of the National Lotteries Board, its Audit Committee, Uthingo Management (Pty) Ltd., Gidani (Pty) Ltd, and the CEO and Staff of the National Lotteries Board, we have managed our activities in terms of the Lotteries Act with the highest integrity. For this I am most grateful and assure all concerned that the legacy left can only be improved upon. I am also indebted to the Minister of Trade and Industry and his department for their support and guidance over the past 10 years.

I would like to take this opportunity to thank once again the Members of the National Lotteries Board for the camaraderie and support during our terms of office and wish them everything of the best for the future. The more than 10 000 NGOs who have shared R5,6 billion from the proceeds of the National Lottery value your efforts to continuously revise and improve the administrative systems used to make grants. To everyone else associated with the National Lottery and the NLDTF, we will be following your challenges and successes and hope that you rise to every challenge and that your successes are beyond your expectations.

A handwritten signature in black ink.

J A Foster
Chairperson

National Lotteries Board

Activities of the Board

SECOND LOTTERY LICENCE

Following the High Court decision to set aside Minister Mpahlwa's decision to award the second lottery licence to Gidani (Pty) Ltd., the Board undertook to address the deficiencies identified and made a subsequent recommendation to the Minister.

On 29 September 2007, Minister Mpahlwa awarded the Licence to Operate the National Lottery to Gidani (Pty) Ltd and the National Lottery resumed on 13 October 2007.

THE NATIONAL LOTTERY

A total of 43 millionaires were produced in the period starting 5 October 2007 and ending 31 March 2008. Since the lottery began in March 2000, a total number of 761 millionaires have been created.

There were 22 Million prizes in the other six prize categories to the value of R644 million. The highest level of sales recorded per Draw in the past financial year is R100 million (LOTTO and LOTTO Plus) and that is in Draw number 759 (R40 million Guaranteed Jackpot on 29 March 2008 marking the 8th anniversary of the National Lottery in South Africa).

LOTTO and LOTTO Plus Millionaires per Province for the period under review:

Province	Total
Gauteng	23
Western Cape	6
KwaZulu Natal	2
Mpumalanga	0
Free State	1
Eastern Cape	3
North West	5
Limpopo	3
Northern Cape	0

Ticket Sales per Province (LOTTO and LOTTO Plus) for the period under review:

PROVINCE	R million	%
Gauteng	570	37,1
Western Cape	247	16,1
KwaZulu Natal	209	13,6
Mpumalanga	93	6,0
Free State	70	4,6
Eastern Cape	111	7,2
North West	107	7,0
Limpopo	92	6,0
Northern Cape	37	2,4
Grand Total (incl. VAT)	1,536	100

- The product sales figure above includes advance sales for up to 9 draws.
- Subscription sales are not included in the above figures.
- The product sales period above includes draws 711 to 759 as well as sales for 30/03/2008 and 31/03/2008.

Salient Lottery facts for the year under review are as follows:

Prize Winners	15,5 million
Millionaires	43
Rollovers	34 (LOTTO)
Highest Jackpot	R40 million
Highest Prize	R16,7 million
Average Number of Players per Week	4,7million transactions
Total LOTTO Sales (incl. VAT) (LOTTO and LOTTO Plus, excluding Wina Manje and SportStake)	R 1,6 billion
Highest Weekly LOTTO Sales.	R 100 million
Total Prizes Paid (LOTTO and LOTTO Plus)	R 584 million
Total Contribution to NLDTF	R 553 million

- Total Wina Manje sales R71,8 million (Incl. VAT)
- Total SportStake sales R47,3million (Incl. VAT)
- The total LOTTO sales figure above includes realised subscription sales.
- The total LOTTO sales figure above includes draws 711 to 759 in line with the standard Financial Accounting year.



National Lotteries Board

Activities of the Board

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Terminal Rollout:

	31 March 2007	31 March 2008
SA Post Office	713	1,085
Chain Stores	1,818	773
Independent Retailers	4,758	4,636
Forecourts	981	965
Total	8,270	7,459

The figures above represent online terminals that are capable of selling tickets. It excludes terminals that are installed and connected to the network, but that have been suppressed and therefore not capable of selling tickets. The total of 7,459 exceeds the licence requirement of 7,200.

Security Related Issues

There have been 23 attempts to defraud the National Lottery. The status of these attempts is indicated in the table below. In all instances none of the employees or associates of the operating company and the National Lotteries Board were involved or alleged to have been involved.

Cases withdrawn by the Prosecutor	0
Cases in Court	2
Cases pending investigation	2
Convictions	0
Resolved by Gidani Security Staff	19

Performance Standard Measures of Gidani Management, operator of the National Lottery:

As part of the Operator's bid commitments and during Licence negotiations, Gidani and the Board agreed on a set of performance measures in respect of the National Lottery. The set of measures currently used will be extended as the National Lottery evolves and new activities are added. The more important measures are indicated in the table that follows:

Performance Area	Measure	Attained
Availability of Online Facilities (Central Systems)	100%	100%
Combined Primary & Disaster Recover Sites		
Availability of Network	100%	100%
Terminal Reliability (number of unscheduled repair visits per year per terminal)	2.0	1.6
Timeliness of Payments to the NLDTF	100%	100%
System Validation of Online prizes on the morning after the draw	98%	100%
Payments of walk-in claims exceeding R50 000 within 4 hours	90%	100%
Processing of undisputed postal claims and cheques dispatched within 5 days	80%	100%
Processing of damaged online tickets and cheques posted within 48 hours	100%	100%
Player Relations: Replies required by mail within 5 days	95%	98%
Player Relations: Answering of Calls within 5 seconds - Player	80%	80%
Player Relations: Answering of Calls within 5 seconds - Retailer	85%	79%
Player Relations: Complaints resolved within 10 days	85%	97%

Responsible Play Programme activities:

The Responsible Play Programme focuses on ensuring that all print, electronic and billboard advertisements carry the Responsible Play logo. In addition, players are regularly reminded to play responsibly through print and electronic communication.

Research

No studies were conducted during the period under review.

SOCIETY AND OTHER LOTTERIES

Regulations in respect of Society and Other Lotteries were promulgated on 18 April 2000 in Government Gazette No. 21119.

In terms of the regulations, societies (non profit organisations) that wish to raise funds through lottery-type competitions must first register with the National Lotteries Board and comply with the regulations. In doing so, all organisations are obliged to inform the Board of each

National Lotteries Board

Activities of the Board

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competition they run. The regulations also govern, amongst others, the amount that can be raised in each lottery, the frequency of lotteries and the amount that can be allocated to legitimate expenses. Organisations are afforded the opportunity to apply for exemptions, should they so require.

Applications for Registration

	Received	Approved	Declined	Outstanding
Applications for Society Registration	6	6	0	0
Applications for Scheme Registration	38	32	3	3

Applications for Exemption

Reg. Number	Name of Society	Draw Date	The Nature of Exemption Granted
00095	St. Luke's Hospice Foundation	14/06/08	Exemption for level of expenses
00025	Reach for a dream Foundation	13/07/08	Exemption for level of expenses
00096	Hospice Association of Witwatersrand	13/07/08	Exemption for level of expenses

ILLEGAL LOTTERIES AND PROMOTIONAL COMPETITIONS.

First National Bank (FNB) – “Million-a-Month Account”

The National Lotteries Board (“NLB”) brought an application to the High Court to declare the ‘Million-a- Month Account” competition that was conducted by FNB to be an illegal lottery or an unlawful promotional competition.

The High Court has in December 2006 declared the Million-a-Month Account competition as an unlawful lottery and unlawful competition

in terms of the Lotteries Act. FNB took the matter on appeal and the Supreme Court of Appeal delivered judgment on 28 March 2008 in favour of the NLB. The appeal has been dismissed with costs with the result that FNB must cease conducting the Million-a-Month Account competition.

Children’s Charity Trust - “Winikaya “

The NLB has brought an application to the High Court to declare the “Winikaya” competition that was conducted by the Children’s Charity Trust to be an illegal lottery or an unlawful promotional competition.

The High Court has found in favour of the Children’s Charity Trust ruling that the NLB does not have the necessary *locus standi* in terms of the Act. The NLB took the matter on appeal.

Vodacom

Vodacom has conducted a sms competition where they offered the public a chance to win a BMW. NLB wrote to Vodacom informing them that it is an illegal competition in terms of the Lotteries Act and related regulations and demanded that they cease with the competition with immediate effect. Vodacom then terminated the competition.

REVIEW COMMITTEE - NLDTF

A challenge that the NLB faces is that the Lotteries Act provides that the Distributing Agencies (DAs) allocate funds from the NLDTF. However, the NLB is the trustee of the NLDTF and accountable for the proper management thereof in terms of the Public Finance Management Act.

Section 5 of the Lotteries Act allows for the Board to appoint an executive committee to perform functions in accordance with the provisions of the Lotteries Act. That delegated function shall be deemed to have been performed by the Board.

An Executive Committee of the Board (Review Committee) has been set up as an administrative function where the Board has an oversight of allocations made by the DAs. The Review Committee does not have the function to amend decisions taken by the DAs but will draw to the attention of the DAs deviations and perceived



National Lotteries Board Activities of the Board

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risk. This has been welcomed by the Distributing Agencies for Charities, and Sport and Recreation. There is some resistance from the Distributing Agency for Arts, Culture and National Heritage who believe their judgment is questioned when their decisions are reviewed.

Jazz Foundation

An allocation of R15 million was made to the Jazz Foundation in the last financial year. On investigation, the Review Committee found that even though the applicant was registered as a Section-21 (not for gain) Company, it was indeed an events management company in terms of their founding document. The Committee also found that a management fee of R3 million was being paid to the CEO of the Jazz Foundation who is also a member of the Distributing Agency for Arts, Culture and National Heritage. Other issues raised were the fact that artists were travelling first class, huge amounts allocated for hotel accommodation, drinks budget for opening night functions, corporate tables were being sold for an event funded by the NLDTF and there was no indication of ticket sales income in the application. On the advice of the Review Committee, the Executive held back payment until the issues raised could be addressed. The Jazz Foundation took the matter before the courts and judgment was passed in their favour as a result of there being a signed Grant Agreement. The NLDTF was obliged to pay the grant. The Board has not yet released the final tranche of this grant.

RE-ENGINEERING PROCESS

As a result of the Board's concern with the lengthy turnaround time between application and payment, the Board, through a tender process, engaged an independent consultant to conduct a comprehensive work-study analysis of the business process processes involved in the grant-making cycle. The results of the study were analyzed by the Board and resulted in a re-engineering of the grant-making process including enhancements to the software support system. The system will be completely implemented by August 2008 and will allow the Board to monitor bottlenecks, individual staff performance, conformance with standards, error rates and other performance related information. The system will also enable the Board to inform beneficiaries about the exact status of their applications as well as provide in depth statistical information for future planning.

BENEFICIARY RELATIONS

The Beneficiary Relations Department assists beneficiaries when they experience difficulty in obtaining information regarding their applications and grant payments. The queries are received directly via telephone, fax, email or regular post or through the office of the NLB Executive, the Distributing Agency members, the Department of Trade and Industry or Members of Parliament. The main concern in the period under review has been the delay in the processing of applications and subsequent adjudication. This problem is being addressed both through legislative amendments and the re-engineering process.



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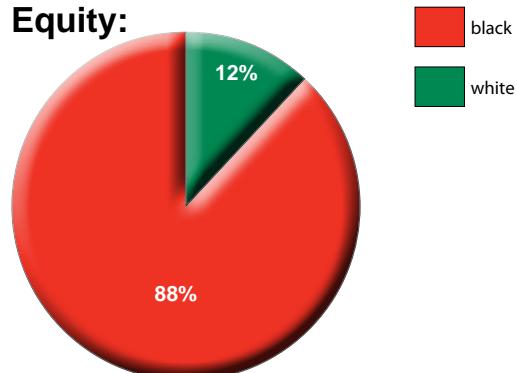
STAFF OF THE BOARD

At the end of March 2008, there were 66 employees, 65 of whom are South African. The female component of the Board's staff is 34 (52%).

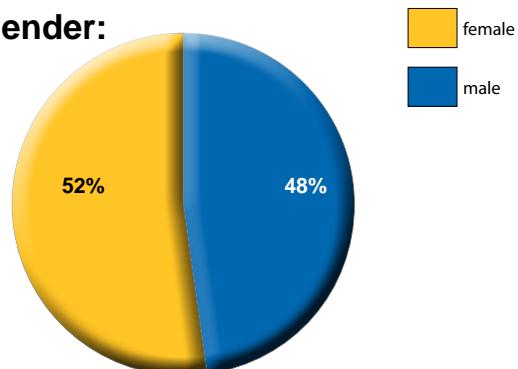
The Board is committed to equity and redress. In appointing new staff, every effort is made to give preference to applicants from previously disadvantaged groups. 88% of the Boards staff is black.

	African	Coloured	Indian	White
Executive	--	1	1	--
Management	2	--	2	1
Staff	48	2	2	7
TOTAL	50	3	5	8

Equity:



Gender:



PERFORMANCE AGAINST PRE-DETERMINED OBJECTIVES

Since the Board is a regulator and since the process of regulation and its outcomes are difficult to predict and to plan for, the Board relies on two sets of objectives. The first set of objectives derived directly from the Lotteries Act, is general in nature and will endure unchanged until the Act is amended. The second set contains objectives that are more specific, form part of the Board's annual strategic plan and change both with time and relevant factors in the operating environment. The two tables below present the different sets of objectives and the Board's performance against them.

TABLE 1:

Objective	Boards Performance
Ensure that the National Lottery and Sport Pools are conducted with all due propriety.	<ul style="list-style-type: none">Continuous monitoring of the Operator's control and security environments through regular compliance programmes.To date, the integrity of the National Lottery has not been compromised.
Ensure that the interest of every participant in the National Lottery is adequately protected.	<ul style="list-style-type: none">Continuous monitoring of the gaming and prize payment environments and the Operator's call centre.Compliance visits to the live draw.Compliance visits to Retailers.



National Lotteries Board

Activities of the Board

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Ensure that the net proceeds of the National Lottery are as large as possible.	<ul style="list-style-type: none">Continuous monitoring of Sales and Prizes and the tranche calculations as specified in the Licence.Continuous monitoring of ancillary revenue.Continuous monitoring of all categories of expenditure incurred by the Operator.
Administer the National Lottery Distribution Trust fund (NLDTF) and hold it in trust.	<ul style="list-style-type: none">Tight controls on the receipt and investment of monies generated.Tight controls on the disbursement of monies to beneficiaries.
Monitor, regulate and police lotteries incidental to exempt entertainment, private lotteries, society lotteries and any competition contemplated in Section 54 of the Lotteries Act.	<ul style="list-style-type: none">Continuous monitoring of lottery-related activity in the market.Processes in place for registration of lottery managers, operators and fund raising schemes.
Advise the Minister on percentages of money to be allocated in terms of Section 26(3) of the Lotteries Act.	<ul style="list-style-type: none">The Board has since made five proposals regarding the allocation of monies. Four have been approved. The current proposal is under consideration by the Minister.
Advise the Minister on the efficacy of legislation pertaining to lotteries and ancillary matters.	<ul style="list-style-type: none">The Board has since made proposals to the Minister regarding amendments to the Lotteries Act on three occasions. Two amendments have already been implemented.
Advise the Minister on establishing and implementing a social responsibility programme in respect of lotteries.	<ul style="list-style-type: none">The Board, in conjunction with the Operator, has a comprehensive social responsibility programme. The Board monitors the programme annually.
Administer and invest the money paid into the National Lottery Distribution Trust Fund in accordance with the Lotteries Act.	<ul style="list-style-type: none">The Board has received approval from the Minister of Finance for its investment strategy and currently invests in strict accordance with this policy.
Make such arrangements as may be specified in the licence for the protection of prize monies and sums for distribution.	<ul style="list-style-type: none">The Board has, at the start up of the Lottery, approved and authorised the various trusts to hold monies reserved for outstanding prizes. The status of these trusts is monitored continually.
Provide the administrative and management support to the Distributing Agencies for the purposes of grant making.	<ul style="list-style-type: none">The Board has set up the Central Applications Office and has to date, in cooperation with the Distributing Agencies, allocated in excess of 10 000 grants totalling R5,6 billion.The current cost to disbursement is 4%. The international average is approximately 11%.

National Lotteries Board

Activities of the Board

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TABLE 2:

Strategic Objective	Target 2007/2008	Achieved	Notes
Increasing National Lottery Sales	R5 billion sales	R1.5 billion	The 7-month delay in the awarding of the licence has had a substantial impact on sales. This anomaly should correct itself in the current year.
Increasing Contributions to the NLDTF	34% of revenue contribution	34%	Contributions to the NLDTF under the previous licence averaged at 22%. Several interventions are planned in the current year to increase sales.
Improved Licence Compliance	7 200 retail outlets 100% licence compliance Initiate Problem Gambling research.	7 368 100% Research not yet initiated.	Research is currently at planning and specification stage.
Commencement of Sales under new Licence	The new licence to be awarded without challenge and the Retail Network and Gaming Systems to be operational by October 2007.	Ticket Sales commenced on 5 th October 2007. All systems, processes and approvals in place.	
Improved NLDTF Distribution	Average of 12 week turnaround time. Disburse 85% of funds allocated. Improved Rural Participation Reduced Risk	Average of 18 week turnaround time. Disbursed 97.2% Some improvement Increase in Site Visit frequency to 30 visits per week.	The business process for grant making has been re-engineered and will improve turnaround times as well as throughput in the current year. Legislative constraints in respect of juristic persons prevent any significant achievements in this area.



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Strategic Objective	Target 2007/2008	Achieved	Notes
Termination of Illegal Lotteries	100% of all major cases brought to court.	The NLB has won the case against FNB in the Supreme Court of Appeal and also forced Vodacom to cease their competition. The WiniKaya case is in the appeal process.	
Improved Publicity	<p>2 press releases per month</p> <p>Roadshows in all provinces linked to the call for applications for the different sectors.</p> <p>1 good cause TV campaign per year</p> <p>Radio and other media continuous throughout the year.</p>	<p>1 per month</p> <p>No roadshows implemented yet.</p> <p>Good cause TV campaign planned for current year.</p> <p>Achieved</p>	<p>Roadshows are being planned. Presentations have been made at the following conferences and workshops on invitation:</p> <ol style="list-style-type: none"> 1. CEO's of the Heritage Councils Conference 2. Dept. of Arts & Culture's National Community Arts Centre Workshop 3. Synergos Leadership Programme for CBOs 4. SA Institute of Fund raisers National Conference 5. Assoc. of Professional Orchestras SA 6. GP Legislature: Arts & Sports Portfolio Committee. <p>The delay in the issuing of the licence has led to delays in this campaign since it is the advertising agency of the Licencee that manages the creative and technical aspects of the campaign</p>

National Lotteries Board

Activities of the Board

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RECOMMENDATIONS OF THE BOARD IN TERMS OF SECTION 12(6)(B)

In terms of section 12(6)(b) of the Lotteries Act, the Annual and Audit Report of the Board shall include recommendations made by the Board with regard to any amendments to the Act or regulations issued under the Act in order to improve the execution of the functions of the Board.

To date, the Board has made recommendations with respect to the following matters:

Matter for which amendment is required	Relevant Section
1. Appointment and Function of Distributing Agencies	
There is no oversight of the activities of the Distributing Agencies. If this function is to be performed by the Board, the functions of the Board should also be amended.	10, 28, 29, 30
The Distributing Agencies are not audited.	28, 29, 30
Distributing Agency members are appointed in their personal capacity.	28, 29, 30
Distributing Agencies do not conform strictly to the regulations in making grants.	28, 29, 30
Distributing Agencies receive no direction in respect of funding policy.	28, 29, 30
2. Funding	
Replacement of Reconstruction and Development Program (RDP) as a category.	27
Inclusion of Natural Persons as beneficiaries.	28(5), 29(5), 30(5)
Addition of other funding models to the current application based.	28, 29, 30
Inclusion of provisions for withdrawing erroneous and irregular grants.	33
Removal of the requirement to have prescribed forms for application.	28, 29, 30
Clarification of the ambiguity of "who" pays the recipient.	32
3. Award of Licence to operate the National Lottery	
Inclusion of regulations specifying detailed processes for application, adjudication and award of Licence.	13
Amendment to clarify definitions of "Political Office Bearer" and others.	1
Amendment to clarify definitions of Lottery to include SMS competitions and other technology based games.	1
4. The National Lottery	
Review of Licencing model to accommodate the possibility of separate licences for separate games, interim licences during litigation and a state operated lottery.	13
Amendment to the process for the approval of Instant Games.	14(2)(g)
5. General	
Review of the involvement of the Minister of Finance in various sections of the Act.	
Removal of the phrase "any other law".	57 (1)(b)
Review policing of unlawful lotteries.	
Clarify "locus standi" of the Board to litigate.	



National Lotteries Board

Activities of the Board

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NATIONAL LOTTERY DISTRIBUTION TRUST FUND

In terms of the Lotteries Act, the Board is the trustee of the NLDTF and reports on its activities to Parliament through the Department of Trade and Industry. The National Lotteries Board also serves as the Distributing Agency for Miscellaneous Purposes.

The Distributing Agencies

There was one change in the membership of the Distributing Agencies. Following Dr. Nathan Bagarette's suspension from his permanent position as CEO at the Performing Arts Council of the Free State (PACOFS), he was advised to excuse himself from further meetings until the investigation at PACOFS was completed. Prof. Jafta has chaired meetings of the Distributing Agency for Arts, Culture and National Heritage since 6 August 2007. Dr. Bagarette was dismissed from PACOFS on 24 January 2008.

Call for Applications

The deadline for the call for applications in each of the sectors was as follows:

Charities:

National Bodies; KwaZulu Natal; North West; Mpumalanga
30 March 2007

Gauteng; Northern Cape; Limpopo

31 May 2007

Eastern Cape; Free State; Western Cape
27 July 2007

Sport & Recreation:

11 May 2007

Arts, Culture and National Heritage:

16 November 2007

Applications are processed and adjudicated chronologically. In the Charities sector, applications are processed in terms of the different deadlines. Adjudication of applications proceeds until all applications received by the advertised deadlines have been adjudicated. As a result, those applications received in the 2007 call that had not been adjudicated by 31 March 2008, will be adjudicated in the 2008/2009 Financial Year and will be reflected in the next Annual Report.

Criteria and focus areas

In order to be considered for funding all applicants had to submit the following documentation by the advertised deadline:

1. The prescribed Application Form (FORM 05/1), duly completed and signed;
2. Constitution, Articles of Association, Trust Deed - Founding Document;
3. Proof of registration as a non-profit organisation;
4. Project Business Plan with supporting documentation; and
5. Audited Financial Statements for the past two years.

Funding is only available to organisations whose founding documents clearly state that the income and property of the organisation is not distributable to its members, employees or managers, except as reasonable compensation for services rendered. In other words, Close Corporations and (Pty) Ltd. companies cannot access NLDTF funds.

The determination of priority areas and the adjudication of applications is the responsibility of the Members of the Distributing Agencies for each of the categories. Policy for funding is approved by the Minister of Trade and Industry in consultation with the National Lotteries Board and the relevant Distributing Agency.

Details of the last call for applications can be found under the NLDTF link at www.nlb.org.za

National Lotteries Board

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NLDTF Allocations

As a result of the National Lottery being suspended from the 1 April 2007 to 29 September 2007, the Board suggested to the Distributing Agencies that they allocate up to 70% of what was available for distribution in the 2007/2008 financial year. This was to make provision for the loss of income in the period of suspension of the National Lottery. The 3 agencies acceded to this suggestion.

The amount available for distribution was as follows:

Category	Full Amount Available for Distribution R million	70% of Available Amount that may be distributed
		R million
Arts, Culture & National Heritage	837,8 (28%)	586,5
Charities	1 346,4 (45%)	942,5
Sport & Recreation	658,2 (22%)	460,7
Miscellaneous Purposes	149,6 (5%)	104,7
TOTAL	2 992,0 (100%)	2094,4



National Lotteries Board Activities of the Board

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For the period 01 April 2007 to 31 March 2008, the breakdown of the funding process is as follows:

Category	70% Amount Available for Distribution R million	No. of Approved Beneficiaries	Amount Allocated R million
Arts, Culture & National Heritage	586,5	46	170,3 (29%)
Charities	942,5	362	380,2 (40%)
Miscellaneous Purposes	104,7	--	--
RDP	--	--	--
Sport & Recreation	460,7	613	422,4 (92%)
TOTAL	2 094,4	1021	972,9 (46%)

The cut-off period for the Distributing Agencies was 31 March 2008. The tables above show statistics for that period. It must be noted that not all the applications received by the deadline have been adjudicated in this period. Those applications that have not been adjudicated will be adjudicated in the next financial year before a new call for applications is made. All unexpended funds are retained in the Trust Fund and will be made available for allocation in the next financial year.

In the 2007 call for applications the number of applications received was as follows:

Arts, Culture & National Heritage:	659
Charities:	4 025
Sport & Recreation:	3 691

As at 31 March 2008, the outstanding applications per sector were as follows:

Arts, Culture & National Heritage:	576
Charities:	1 988
Sport & Recreation:	2 537

National Lotteries Board Activities of the Board

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For the period 01 April 2007 to 31 March 2008, the distribution of good cause monies per province and per sector is as follows:

	Arts, Culture & National Heritage R million	Charities R million	Sport & Recreation R million	Miscellaneous Purposes R million	TOTAL R million
National Bodies	11,5	146,4	126,9	-	284,8
Eastern Cape	13,1	8,5	25,8	-	47,4
Free State	-	-	38,4	-	38,4
Gauteng	62,4	38,5	43,8	-	144,7
KwaZulu Natal	30,8	95,5	31,6	-	157,9
Limpopo	16,8	4,3	24,8	-	45,9
Mpumalanga	15,0	25,9	33,0	-	73,9
Northern Cape	-	7,0	30,4	-	37,4
North West	-	37,8	18,6	-	56,4
Western Cape	20,7	16,3	49,1	-	86,1
TOTAL	170,3	380,2	422,4	-	972,9

Declined Applications

Each year the Distributing Agencies decline many applications for funding from organisations who do not meet the requirements as set down by the relevant Distributing Agency. In the call for applications, the requirements are clearly identified and all applicants are provided with guidelines to help them fill in forms. In the last call for applications, the NLDTF has also made the advert and guidelines available in isiZulu and SePedi as well. The main reason why applications are declined is because applicants are not in a position to provide two years' audited financial statements. In order to help those who are not in a position to provide audited financial statements, the NLDTF has allowed for these organisations to apply in partnership with more established organisations that are able to do so. Other reasons for applications being declined are that applicants are not registered as non-profit organisations or their activities as defined by their founding documents fall outside the mandate of the Distributing Agency. All applicants whose applications are declined are advised why their applications have been declined in order for applicants to ensure they meet the requirements.



National Lotteries Board & National Lottery Distribution Trust Fund

Report of the Audit Committee



We are pleased to present our report for the financial year ended 31 March 2008.

Audit Committee Members and Attendance:

The audit committee consists of the members listed hereunder and meets at least four times per annum as per its approved terms of reference.

During the current year six meetings were held.

Name of Member	Number of Meetings attended
N. Axten (Chairperson)	6
R.K. Nayager	5
J.F.J. Scheepers	6
S. Thomas	5

The external auditors, the Chief Executive Officer, Internal Auditors as well as the Chief Financial Officer have a standing invitation for audit committee meetings and have attended most of the meetings during the year under review.

The audit committee comprises four members, all of whom are from the private sector and two of whom are members of the Board. The appointment of Ms Thobeka Mahlati as a fifth member of the audit committee is currently in progress.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Treasury Regulations 3.1.13, 27.1.7 and 27.1.10(b) and (c) issued in terms of the Public Finance Management Act 1 of 1999, as amended by Act 29 of 1999.

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The report on performance information

Whilst the Board has additional responsibility as required by Section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present its performance against predetermined objectives, it is the Audit Committee's opinion that due to a lack of proper guidelines on this matter there is a lack of consistency in reporting such information appropriately.

National Lotteries Board & National Lottery Distribution Trust Fund

Report of the Audit Committee

Continued

The effectiveness of internal control

During the year under review the internal controls of the Board, as regarding its responsibilities as regulator of the National Lottery, were considered to be adequate, and have been effectively discharged. However, the secretarial and administrative functions performed on behalf of the Distributing Agencies proved to be unsatisfactory in certain respects. This was mainly due to the grant management system being incapable of coping with the current volumes.

The performance audit by the Auditor-General on the grant management system, together with the outside evaluation commissioned by the Board as mentioned in last year's report, has resulted in a rewrite of that system, which is in its final stages of implementation. It is anticipated that this will result in a far more efficient process.

The quality of management and monthly/quarterly reports submitted in terms of the PFMA

The Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Board during the year under review.

Distributing Agencies

Disbursement of grants are made on terms, conditions and the authority of the Distributing Agencies (DA's). These grants are made at the discretion of the DA's and it remains a concern of the Audit Committee that these decisions are not specifically audited by any Authority.

Internal Audit

The Board has outsourced the internal audit function to a private firm of chartered accountants and the areas covered were in terms of a three year rolling plan which ends in the 2009/2010 year. The Audit Committee has reviewed the adequacy of the coverage and, subject to certain minor deviations, is satisfied therewith.

Evaluation of Financial Statements

The Audit Committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General's management letter and management's response thereto.

The Audit Committee concurs and accepts the Auditor-General's conclusions on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.



N. Axten

Chairperson of the Audit Committee



National Lotteries Board
Board Report
Board Report



National Lotteries Board Board Report

Continued

The National Lotteries Board presents their tenth Annual Report, which forms part of the audited Financial Statements of the National Lotteries Board (NLB) and the National Lottery Distribution Trust Fund (NLDTF) for the year ended 31 March 2008.

1 NATURE OF OPERATIONS

The NLB is the regulator of the National Lottery and other lotteries as identified in the Lotteries Act, 1997 (Act No. 57 of 1997). Gidani (Pty) Ltd is a private company that currently operates the National Lottery under licence from the Government. (Uthingo Management (Pty) Ltd is a private company that operated the National Lottery for a period of seven years, which expired on 31 March 2007). The Operator of the National Lottery pays monies into the NLDTF in terms of the licence agreement. These proceeds are destined for good causes as specified in the Lotteries Act and allocated to applicants who meet the required criteria by Distributing Agencies appointed by the Minister of Trade and Industry. The NLB manages the NLDTF and accounts for all running costs. The NLB withdraws the necessary funds required from the NLDTF, based on overall annual budget approval by the Minister of Trade and Industry.

2 STATEMENT OF RESPONSIBILITY

The NLB is responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and the related information. The auditors are responsible to report on the fair presentation of the financial statements. The financial statements have been prepared in accordance with the basis of preparation as set out in the accounting policies notes to the NLB and NLDTF financial statements and in the manner required by the Public Finance Management Act, 1999.

The NLB is also responsible for the entity's system of internal control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the NLB to indicate that any material breakdown in the functioning of these controls, procedures and system has occurred during the year under review. In addition the NLB engaged the services of a work-measurement specialist to

conduct a comprehensive study of all the processes in the grant-making cycle. The NLB used the results of this study, together with the findings of the Auditor-General in their performance audit, to implement corrective measures as required. The re-engineering process is complete and implementation is currently under way.

The financial statements have been prepared on the going concern basis, since the NLB Board Members have every reason to believe that the NLB has adequate resources in place to continue in operation for the foreseeable future.

3 OPERATING AND FINANCIAL REVIEW

The financial results of the NLB and the NLDTF are fully dealt with in the attached Financial Statements.

Being a regulatory body, the NLB's objectives are prescribed in the Lotteries Act. It is the NLB's continuous aim to meet or exceed these objectives. The Chairperson's report covers all accomplishments in greater detail.

As a result of the High Court having set aside the Minister's decision to award the Licence to operate the National Lottery to Gidani (Pty) Ltd, the National Lottery has been non-operational since the end of March 2007 when the Licence held by Uthingo Management (Pty) Ltd came to an end. This unfortunately resulted in the NLB not being able to uphold its performance obligations for the first six months of this financial year to the full extent dictated by the Act/Licence. On 29 September 2007 the Minister awarded the Licence to Gidani again. First ticket sales commenced on 13 October 2007 with the first draw taking place on 20 October 2007. On a comparative basis for the six months ended 31 March 2008, the new operator was well within range on their contribution to the NLDTF mainly due to their higher contribution in respect of the NLDTF's share of ticket sales. (The factor being 34% of ticket sales as opposed to an average of 22% previously).



National Lotteries Board Board Report

Continued

4 MEMBERS OF THE BOARD

Mr Joe Foster (Chairperson)	re-appointed 03/12/2003
Mr Norman Axten	re-appointed 03/12/2003
Ms Nora Fakude-Nkuna	re-appointed 03/12/2003
Mr Henry Makgothi	re-appointed 03/12/2003
Ms Shelley Thomas	re-appointed 03/12/2003
Mr George Negota	appointed 03/12/2003
Mr Brian Muthwa	Minister's Nominee (Acting)

The Board Members' term of office comes to an end in December 2008, by which time the DTI should have made suitable appointments.

5 EMOLUMENTS AND REMUNERATION

The notes to the Financial Statements provide full disclosure in respect of Board Members' emoluments, Distributing Agency emoluments, Audit Committee Members' emoluments and Senior Management remuneration.

6 MATERIALITY FRAMEWORK IN TERMS OF TREASURY REGULATION 28.1.5.

During the year under review for purposes of material (sections 50(1), 55(2) and 66(1) of the Public Finance Management Act) and significant (section 54 (2) of the Public Finance Management Act), the Board developed and agreed a framework of acceptable levels of materiality and significance in consultation with the external auditors. Overall materiality for the period under review was agreed as being approximately 0.5% of prior year actual expenditure. This amounts to R125 000 and R3 800 000 for the NLB and NLDTF respectively.

7 INTERNAL AUDIT

The Board has outsourced the internal audit function as envisaged in section 51(1) (a) (ii) of the PFMA to SAB&T Inc. Chartered Accountants (SA). They have conducted their assignment in accordance with the standards set by the Institute of Internal Auditors, and in terms of the internal audit coverage plan as agreed with Management and the Audit Committee. The following areas were covered during the period under review:

- Procurement audit;
- Insurance audit;
- Finance audit i.e. debtors, investments; and
- Public relations audit.

IT, legal and grant management audits were in progress at date of review.

8 EXTERNAL AUDIT

The Auditor-General will continue to perform the statutory audit in accordance with the Lotteries Act, 1997 (Act No. 57 of 1997) and the Public Audit Act, 2004 (Act No. 25 of 2004).

The Financial statements set out on pages 27 to 50 to for the National Lotteries Board and pages 58 to 74 for the National Lottery Distribution Trust Fund were approved by the Board and are signed on their behalf.



J.A. Foster
Chairperson
25 July 2008



V. Ram
Chief Executive Officer
25 July 2008



National Lotteries Board (NLB) Annual Financial Statements

for the year ended 31 March 2008



**REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT
ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION
OF THE NATIONAL LOTTERIES BOARD
FOR THE YEAR ENDED 31 MARCH 2008**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the National Lotteries Board which comprise the statement of financial position as at 31 March 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 27 to 50.

Responsibility of the accounting authority for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by National Treasury, as set out in accounting policy note 1 and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and the Lotteries Act, 1997 (Act No. 57 of 1997). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 12(4) of the Lotteries Act, 1997 (Act No. 57 of 1997), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

8. The public entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.

**REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT
ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION
OF THE NATIONAL LOTTERIES BOARD
FOR THE YEAR ENDED 31 MARCH 2008**

Continued

Opinion

9. In my opinion the financial statements present fairly, in all material respects, the financial position of the National Lotteries Board as at 31 March 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the PFMA and section 12(4) of the Lotteries Act.

OTHER MATTERS

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Matters of governance

10. The PFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
Audit committee		
• The public entity had an audit committee in operation throughout the financial year.	x	
• The audit committee operates in accordance with approved, written terms of reference.	x	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 27.1.8.	x	
Internal audit		
• The public entity had an internal audit function in operation throughout the financial year.	x	
• The internal audit function operates in terms of an approved internal audit plan.	x	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.2.	x	
Other matters of governance		
• The annual financial statements were submitted for audit as per the legislated deadlines section 55 of the PFMA for public entities.	x	
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.	x	
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	x	
• The prior year's external audit recommendations have been substantially implemented.		x

Unaudited supplementary schedules

11. The supplementary information set out on pages 51 to 52 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and accordingly I do not express an opinion thereon.



**REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT
ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION
OF THE NATIONAL LOTTERIES BOARD
FOR THE YEAR ENDED 31 MARCH 2008**

Continued

OTHER REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

12. I was engaged to review the performance information.

Responsibility of the accounting authority for the performance information

13. The accounting authority has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

Responsibility of the Auditor-General

14. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*.
15. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
16. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

Performance information not received in time

17. The performance information originally submitted has subsequently been changed without it being timeously submitted. I was therefore not able to complete an evaluation of the quality of the reported performance information as set out on pages 8 to 11 of the annual report.

OTHER REPORTS

Performance audits

18. The Report of the Auditor-General on the Performance Audit of Grant Management at the National Lotteries Board (ISBN 978-0-621-37606-7 / RP 12/2008) was tabled in parliament during the year under review.

APPRECIATION

19. The assistance rendered by the staff of the National Lotteries Board during the audit is sincerely appreciated.

Auditor-General

Pretoria

31 / 07 / 2008



AUDITOR - GENERAL

Annual Financial Statements

National Lotteries Board (NLB)

for the year ended 31 March 2008



National Lotteries Board

Statement of Financial Performance

for the year ended 31 March 2008

	Notes	2008 R'000	2007 R'000
REVENUE			
Transfers and subsidies received	1	33 109	25 194
Licence fees	2	654	-
Gains/(losses) on disposal of fixed assets	3	26	(26)
Other income		43	46
TOTAL REVENUE		33 832	25 214
EXPENDITURE			
Administrative expenses	4	9 003	4 458
Staff costs	5	15 478	13 505
Audit fees	6	1 188	1 484
Other operating expenses	7	8 046	5 657
Depreciation and amortisation	8	424	360
TOTAL EXPENDITURE		34 139	25 464
DEFICIT FROM OPERATIONS		(307)	(250)
Finance income	9	307	250
SURPLUS FOR THE YEAR		-	-

National Lotteries Board

Statement of Financial Position

at 31 March 2008

	Notes	2008 R'000	2007 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	2 725	528
Intangible assets	11	2 438	173
		5 163	701
Current assets			
Investments in securities	12	-	161 821
Trade and other receivables	13	3 257	10 534
Prepayments and advances	14	173	14
Cash and cash equivalents	15	4 972	871
		8 402	173 240
Total assets		13 565	173 941
LIABILITIES			
Non-current liabilities			
Deferred income: Licence fees	16	8 038	-
Current liabilities			
Trade and other payables	17	3 999	173 941
Deferred operating lease liability	18	220	-
Current portion of deferred income	16	1 308	-
		5 527	173 941
Total liabilities		13 565	173 941



National Lotteries Board

Statement of Changes in Net Assets

for the year ended 31 March 2008

	Accumulated Surplus
	R'000
Balance at 1 April 2006	-
Net surplus for the year	-
Balance at 1 April 2007	-
Net surplus for the year	-
Balance at 31 March 2008	-



National Lotteries Board

Cash Flow Statement

for the year ended 31 March 2008

	Notes	2008 R'000	2007 R'000
Cash flow from operating activities			
Cash receipts from NLDTF and other parties		40 924	14 910
Cash paid to suppliers and employees		(32 270)	(18 093)
Cash generated from/(used in) operations	19	8 654	(3 183)
Investment income		307	250
Net cash generated from/(used in) operating activities		8 961	(2 933)
Cash flow from investing activities			
Acquisition of property, plant and equipment		(2 490)	(133)
Acquisition of intangible assets		(2 396)	(6)
Proceeds from disposal of fixed assets		26	-
Net cash used in investing activities	20	(4 860)	(139)
Net increase/(decrease) in cash and cash equivalents		4 101	(3 072)
Cash and cash equivalents at the beginning of the year		871	3 943
Cash and cash equivalents at the end of the year	15	4 972	871



National Lotteries Board

Accounting Policies

for the year ended 31 March 2008

The following are the principal accounting policies of the NLB which are, in all material respects, consistent with those applied in the previous year:

1. Basis of preparation

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

Standard of GRAP	Replacement Statement of GAAP
GRAP 1: Presentation of financial statements	AC101: Presentation of financial statements
GRAP 2: Cash flow statements	AC118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC103: Accounting policies, changes in accounting estimate and errors

Currently the recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 & 3 has resulted in the following changes in the presentation of the financial statements:

1. Terminology differences:

Standard of GRAP	Replacement Statement of GAAP
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit	Profit/loss
Accumulated surplus	Retained earnings

2. The cash flow statement can only be prepared in accordance with the direct method.

3. The amount and nature of any restrictions on cash balances is required.

Paragraph 11 – 15 of GRAP 1 has not been implemented due the fact that the budget reporting standard has not been developed by the local standard setter and the international standard is not effective for this financial year. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect the objective of the financial statements.

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period. The measurement base applied is historical cost.

National Lotteries Board

Accounting Policies

Continued

4. Statement of compliance with GRAP

At the date of authorisation of these financial statements, the following accounting standards of GRAP were in issue, but not yet effective:

	Title	Application to the Board
GRAP	4 The Effects of Changes in Foreign Exchange Rates	Not applicable
GRAP	5 Borrowing Costs	Not applicable
GRAP	6 Consolidated and Separate Financial Statements	Not applicable
GRAP	7 Investments in Associates	Not applicable
GRAP	8 Interest in Joint Ventures	Not applicable
GRAP	9 Revenue from Exchange Transactions	Not applicable
GRAP	10 Financial Reporting in Hyperinflationary Economies	Not applicable
GRAP	11 Construction Contracts	Not applicable
GRAP	12 Inventories	Not applicable
GRAP	13 Leases	
GRAP	14 Events after the reporting date	
GRAP	16 Investment Property	Not applicable
GRAP	17 Property, Plant and Equipment	
GRAP	18 Segment Reporting	Not applicable
GRAP	19 Provisions, Contingent Liabilities and Contingent Assets	
GRAP	23 Revenue from Non-exchange Transactions	
GRAP	24 Presentation of Budget Information in Financial Statements	
GRAP	100 Non-current Assets held for Sale and Discontinued Operations	Not applicable
GRAP	101 Agriculture	Not applicable
GRAP	102 Intangible assets	

Management believes that the adoption of these standards in future periods will have no material impact on the financial statements of the National Lotteries Board as most of them are irrelevant to the Board and those that are relevant are to a greater extent similar in application and disclosure as the GAAP standards applied currently.

In addition the above statements of GRAP the following standards, amendments and interpretations of SA GAAP became effective in 2007:

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Board's financial instruments, or the disclosures relating to taxation and trade and other payables.

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Board's financial statements.

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Board's financial statements.



National Lotteries Board Accounting Policies

Continued

The following standards and interpretations of SA GAAP are not yet effective and have not been early adopted by the Board:

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Board will apply IAS 23 (Amended) from 1 January 2009 but is currently not applicable to the Board as there are no qualifying assets.

IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This standard will not have any impact on the operations of the Board.

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation will have no effect on the operations of the Board.

2 Revenue recognition

Revenue is recognised when it is probable that future economic benefits will flow to the enterprise and these benefits can be measured reliably. The following specific bases apply:

Assistance from the NLDTF is based on actual operating costs for which the Board is responsible. The Board withdraws the amounts as and when required, based on overall approval 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.

Revenue arising from licence fees is recognised on an accrual basis in accordance with the substance of the license contract.

Interest income is accrued on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period to maturity.

Fees received from bidders are recognised as they accrue.

3 Irregular and fruitless and wasteful expenditure

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

- The PFMA, or
- 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.

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

4 Retirement benefit costs

The Government Employees Pension Fund is a defined benefit fund, which provides retirement and death benefits for the Chairperson. Government guarantees any unfunded liability. The pension plan is generally funded by contributions from the Chairperson and the National Lotteries Board. The contributions are charged to the Statement of Financial Performance in the year to which they relate.

The Provident Fund to which all other employees belong is a defined contribution fund, which provides retirement, death and disability benefits. The National Lotteries Board funds the plan as part of the cost to the Board. The contributions are charged to the Statement of Financial Performance in the year to which they relate.

5 Property, plant and equipment

All property, plant and equipment are initially recorded at cost. Assets are stated at historical cost less accumulated depreciation and accumulated impairment losses, and are written off over the expected useful life of the asset.

The residual value and useful lives of assets are reviewed and adjusted if appropriate at the end of each financial year. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Depreciation is calculated on the straight-line method to write off the cost of assets to their residual values over their estimated useful lives:

- Furniture and fittings	Minimum 5 years
- Office equipment	Minimum 5 years
- Computer equipment	Minimum 3 years
- Motor vehicles	Minimum 5 years
- Leasehold improvements	Minimum 10 years

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in or charged against income.

6 Intangible assets

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable software products controlled by the Board and will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Intangible assets are stated at historical cost less accumulated amortisation and are written off over a period of three years on the straight-line method. Expenditure that enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a new acquisition. Software licences with perpetual lives are capitalised and not amortised unless a replacement is contemplated, in which case amortisation will take place over the then expected remaining life.

7 Impairment

At each reporting date, the Board reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are immediately recognised as an expense.

8 Leased assets

Operating leases

Leases of assets under which the lessor effectively retains all the risks and benefits of ownership are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance as incurred where increments are CPIX based, and on a straight-line basis where increments are based on fixed escalations, over the period of the lease. Operating leases currently only relate to the premises being leased by the National Lotteries Board.

9 Financial assets

The Board classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current assets.



National Lotteries Board

Accounting Policies

Continued

The Board's loans and receivables comprise 'investment in securities', 'trade and other receivables' and 'cash and cash equivalents' in the Statement of Financial Position (notes 12, 13 and 15).

The Board classifies its funds placed with various banking institutions in the form of fixed deposits, banker's acceptances, promissory notes and negotiable certificates of deposit as originated loans and receivables. This category of accounting for investments affords the opportunity of early conversion to cash if required, and not having to necessarily hold all instruments to maturity. These investments are also classified as current assets as it is the express intention to have all investments mature within twelve months from the reporting date. All funds are placed with high credit quality financial institutions approved by the Minister of Finance.

Cash and cash equivalents are shown at the original capital invested plus accrued interest.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in money market instruments that mature in less than three months and are not only considered to be low risk investments, but may also be converted to cash earlier if considered necessary.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the Statement of Financial Position date.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Board commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the Statement of Financial Performance.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Financial Performance within 'other (losses)/gains – net' in the period in which they arise.

Impairment of financial assets

The Board assesses at each Statement of Financial Position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Statement of Financial Performance.

Impairment losses recognised in the Statement of Financial Performance on equity instruments are not reversed through the Statement of Financial Performance.

Impairment testing of trade receivables is described in note 13.

Cash and Cash equivalents

Cash and cash equivalents are shown at the original capital invested plus accrued interest. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in money market instruments that mature in less than three months and are not only considered to be low risk investments, but may also be converted to cash earlier if considered necessary.

10 Financial liabilities

Financial liabilities are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

The Board's principal financial liabilities comprise trade and other payables.

11 Provisions

Provisions are recognised when:

- the NLB has a present legal or constructive obligation as a result of past events;
- it is more likely than not, that an outflow of resources will be required to settle the obligation; and
- the amount of the obligation has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect of one item included in the same class of obligation may be small.

Provisions are measured at the present value of the expenditure expected to be incurred, in order to settle the obligation, using a discount rate that reflects current market assessments of the time value of money, and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

12 Financial risk management

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

i Market risk

The Board'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.

ii Credit risk

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

The Board also follows regulations issued by National Treasury to manage their exposure to credit risk. This includes spreading the investments held among reputable financial institutions.

iii Liquidity risk

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

13 Critical accounting estimates and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

13.1 Critical accounting estimates and assumptions

The Board makes estimates and assumptions concerning the future. No critical estimate or assumption was made during the preparation of these financial statements.

13.2 Critical judgements in applying the entity's accounting policies

No critical judgement was applied in the drafting of these financial statements.



National Lotteries Board

Notes to the Annual Financial Statements

for the year ended 31 March 2008

1 Transfers and subsidies received

	2008 R'000	2007 R'000
Assistance received from the NLDTF according to section 34 of the Lotteries Act	33 109	25 194

2 Licence fees

	2008 R'000	2007 R'000
Recognition of lottery licence fees (refer note 16)	654	-

3 Gains or losses on disposal of fixed assets

	2008 R'000	2007 R'000
Disposal/(scrapping) of assets	26	(26)

4 Administrative expenses

Included in administrative expenses are the following:

	2008 R'000	2007 R'000
Audit committee emoluments	249	235
Non-executive Board Members' emoluments	1 726	242
Distributing agency emoluments	2 117	1 837
Legal fees	4 443	1 651

National Lotteries Board

Notes to the Annual Financial Statements

Continued

5 Staff costs

	2008 R'000	2007 R'000
Salaries		
-Basic salaries	9 927	8 570
-Performance awards	1 397	1 307
-Periodic payments	-	32
-Temporary staff	408	338
-Leave payments/provisions	173	(13)
Provident Fund contribution	1 248	1 125
Social Contributions		
-Medical	673	608
-UIF	66	58
-Risk benefit and management	361	347
Executive Board Member's emoluments	1 225	1 133
Total	15 478	13 505

Average number of persons employed 56 52

Included in the above staff costs are the following amounts paid to or receivable by senior management: (R'000)

	CEO	CFO	Manager HR and Admin	Manager Central Applications	Manager Public Relations	Manager Legal
Basic salary	663	407	234	335	249	232
Provident fund	147	103	69	93	60	53
Annual bonus	76	52	39	49	34	29
Travel allowance	78	96	130	142	84	48
Medical aid	28	18	30	13	16	12
Total 2008	992	676	502	632	443	374
Total 2007	915	624	462	572	407	344



National Lotteries Board

Notes to the Annual Financial Statements

Continued

6 Audit fees

	2008 R'000	2007 R'000
Statutory audit	1 033	890
Performance audit	155	594
	1 188	1 484

7 Other operating expenses

Included in other operating expenses are the following:

	2008 R'000	2007 R'000
Advertising and publicity	1 025	384
Consultants, contractors and special services	3 102	1 216
Internal audit sub-contracted	614	224
Rentals in respect of operating leases (minimum lease payments)	2 098	2 235
- Premises		
Travel and subsistence	757	1 081

8 Depreciation and amortisation

	2008 R'000	2007 R'000
Depreciation charge	293	228
- Office equipment	26	49
- Motor vehicles	54	2
- Computer equipment	187	152
- Furniture and fittings	17	25
- Leasehold improvements	9	-
Amortisation of intangibles		
- Computer software	131	132
Total	424	360

9 Finance income

	2008 R'000	2007 R'000
Interest income		
- Loans	5	2
- Bank deposits	302	248
Total	307	250

National Lotteries Board
Notes to the Annual Financial Statements

Continued

10 Property, plant and equipment

	Office equipment	Motor Vehicles	Computer Equipment	Furniture & fittings	Leasehold Improvements	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Year ended 31/3/2007						
Opening net carrying amount	116	154	301	78	-	649
Gross carrying amount	474	232	1 319	909	-	2 934
Accumulated depreciation	358	78	1 018	831	-	2 285
Additions	27	-	106	-	-	133
Assets disposed	(16)	-	(4)	(6)	-	(26)
Gross carrying amount	233	-	138	42	-	413
Accumulated depreciation	217	-	134	36	-	387
Depreciation charge	(69)	(51)	(191)	(41)	-	(352)
Depreciation: Useful life and residual value adjustments	20	49	39	16	-	124
Closing net carrying amount	78	152	251	47	-	528
Gross carrying amount	268	232	1 287	867	-	2 654
Accumulated depreciation	190	80	1 036	820	-	2 126
Year ended 31/3/2008						
Opening net carrying amount	78	152	251	47	-	528
Gross carrying amount	268	232	1 287	867	-	2 654
Accumulated depreciation	190	80	1 036	820	-	2 126
Additions	560	-	632	208	1 090	2 490
Assets disposed	-	-	-	-	-	-
Gross carrying amount	7	-	50	57	-	114
Accumulated depreciation	7	-	50	57	-	114
Depreciation charge	(38)	(58)	(204)	(42)	(9)	(351)
Depreciation: Useful life and residual value adjustments	12	4	17	25	-	58
Closing net carrying amount	612	98	696	238	1 081	2 725
Gross carrying amount	821	232	1 869	1 018	1 090	5 030
Accumulated depreciation	209	134	1 173	780	9	2 305



National Lotteries Board

Notes to the Annual Financial Statements

Continued

11 Intangible assets

Intangible assets refer to the capitalised value of software costs incurred in the development of the Grant Management System used by the National Lottery Distribution Trust Fund, and the National Lotteries Board/National Lottery Distribution Trust Fund website.

	Computer software	Website	Total
	R'000	R'000	R'000
Year ended 31/3/2007			
Opening net carrying amount	299	-	299
Gross carrying amount	782	43	825
Accumulated amortisation	483	43	526
Additions	6	-	6
Amortisation charge	132	-	132
Closing net carrying amount	173	-	173
Gross carrying amount	788	43	831
Accumulated amortisation	615	43	658
Year ended 31/3/2008			
Opening net carrying amount	173	-	173
Gross carrying amount	788	43	831
Accumulated amortisation	615	43	658
Additions	2 396	-	2 396
Amortisation charge	131	-	131
Closing net carrying amount	2 438	-	2 438
Gross carrying amount	3 184	43	3 227
Accumulated amortisation	746	43	789

National Lotteries Board

Notes to the Annual Financial Statements

Continued

12 Investments in securities

With reference to note 17, funds were invested with various banking institutions in the form of fixed deposits and negotiable certificates of deposit. The Escrow investment comprises:

	2008 R'000	2007 R'000
Originated loans and receivables		
Capital amount	-	97 727
Interest capitalised	-	53 366
Interest accrued	-	10 728
Closing balance	-	161 821

These investments have matured in the current year and have been reinvested in the name of the National Lottery Distribution Trust Fund in terms of the Licence Agreement with Uthingo.

13 Trade and other receivables

	2008 R'000	2007 R'000
Assistance from NLDTF	3 112	10 376
Staff loans	87	93
Travel advances to Board Members	-	51
Interest receivable	58	14
	3 257	10 534

The fair values of trade and other receivables approximate their carrying value.

As at 31 March 2008 all trade receivables are fully performing and no amounts are considered to be impaired. The Board's maximum exposure to credit risk is the fair value of each class of receivable listed above.

14 Prepayments and advances

	2008 R'000	2007 R'000
Prepayments on furniture ordered, and systems support	173	14



National Lotteries Board

Notes to the Annual Financial Statements

Continued

15 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances that are held with registered banking institutions and that are subject to insignificant interest rate risk. The carrying amount of these assets approximates their fair value.

	2008 R'000	2007 R'000
Cash at bank	4 969	868
Cash on hand	3	3
	4 972	871

Cash and cash equivalents included for the purposes of the cash flow statement is equal to the list detailed above.

16 Deferred income: Licence fees

Licence fees relate to the licence awarded to Gidani (Proprietary) Limited for operating the National Lottery. Effective from October 2007, the licence is valid for seven years and will be recognised over this period.

	2008 R'000	2007 R'000
Licence fee	10 000	-
Charged to statement of financial performance	(654)	-
	9 346	-
Current portion of deferred income	(1 308)	-
Balance at end of year	8 038	-



17 Trade and other payables

	2008 R'000	2007 R'000
Accruals	2 643	969
Escrow liability	-	161 821
Leave pay and bonuses	1 356	1 151
Other payables	-	10 000
	3 999	173 941

With reference to note 12 above, the Escrow liability represented the amount reserved in order to assist with the continued operation of the National Lottery after expiry, termination or revocation of the licence for any reason. In terms of the Licence Agreement with Uthingo, the funds have been transferred to the National Lottery Distribution Trust Fund to be made available for good causes.

18 Operating lease arrangements

The Board as lessee

Office premises are leased. The formal lease agreement with the Department of Trade and Industry (DTI) at the Board's previous premises never materialised. For the current financial year the DTI reduced the square meter rate, hence a lower amount charged to expenses. For the first eleven months, actual payments were expensed as future increments were CPIX based. Effective March 2008 however, a new lease agreement with Growthpoint (Pty) Ltd was concluded which stipulates an annual increment of eight percent, the total lease period being ten years.

Charged to statement of financial performance

	2008 R'000	2007 R'000
DTI	1 485	2 235
Growthpoint (Pty) Ltd		
- Invoiced amount	393	-
- deferred lease liability	220	-
	2 098	2 235

Deferred operating lease liability

One month equivalent	220	-
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National Lotteries Board
Notes to the Annual Financial Statements

Continued

Operating lease commitments

	2008 R'000	2007 R'000
Minimum payments		
Payable within 1 year	4 478	-
2 to 5 years	30 070	-
More than 5 years	35 854	-
Total minimum payments	70 402	-

19 Cash generated from/(used in) operations

	2008 R'000	2007 R'000
Surplus for the year	-	-
Adjusted for:		
- Depreciation on property, plant and equipment	351	352
- Depreciation: change in accounting estimates	(58)	(124)
- Amortisation of intangible assets	131	132
- (Gains)/Loss on disposal of property, plant and equipment	(26)	26
- Investment income	(307)	(250)
Operating cash flows before working capital changes	91	136
Increase in non-current liabilities	8 038	-
Working capital changes	525	(3 319)
- Decrease/(Increase) in receivables	7 118	(10 330)
- (Decrease)/Increase in payables	(6 593)	7 011
Cash generated from/(used in) operations	8 654	(3 183)

National Lotteries Board

Notes to the Annual Financial Statements

Continued

With reference to notes 12 and 17 relating to Escrow, the following movements in current assets and liabilities have been recognised as non cash flow items:

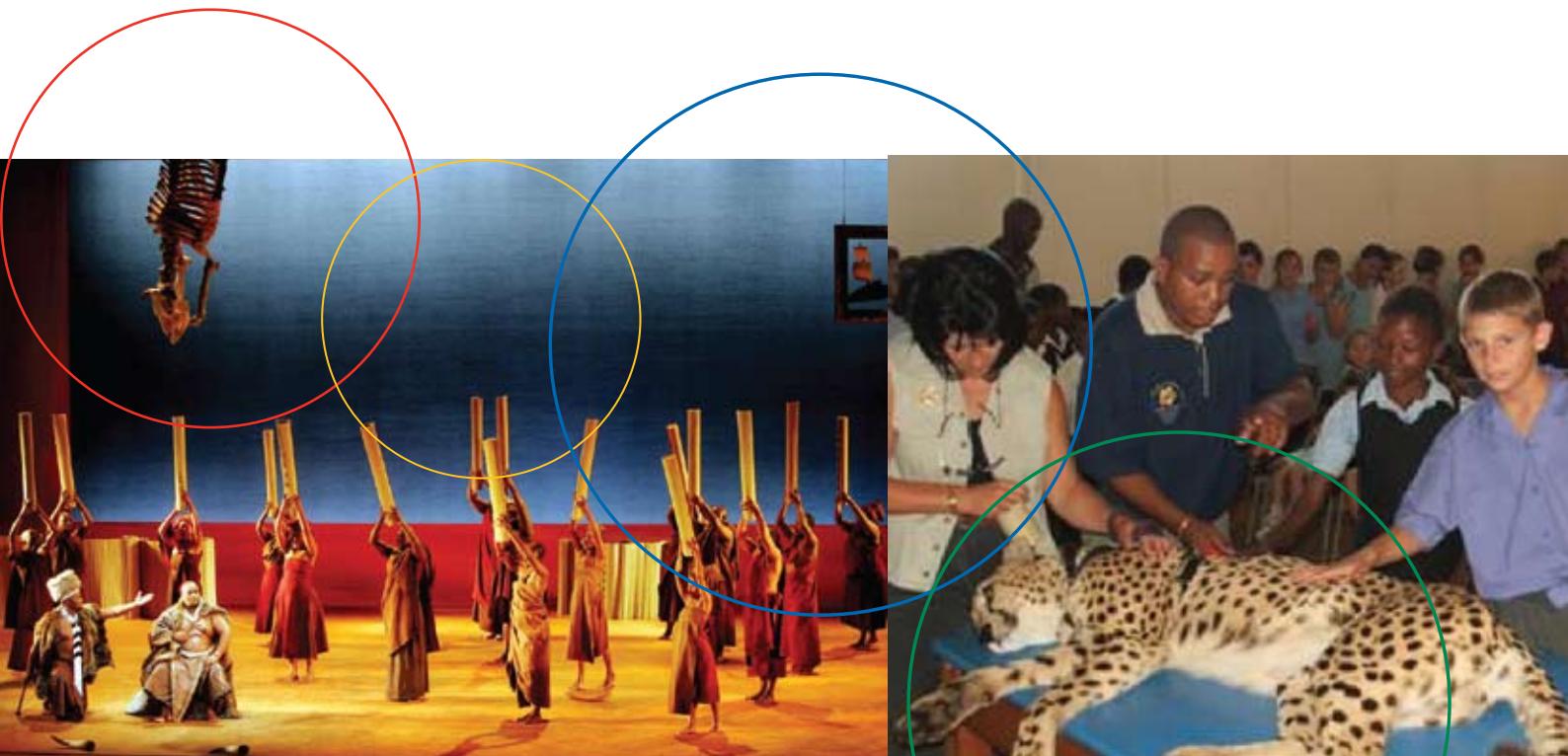
Decrease in receivables
 (Decrease)/Increase in payables
 Decrease/(Increase) in Escrow investments

	2008	2007
	R'000	R'000
Decrease in receivables	-	3 286
(Decrease)/Increase in payables	(161 821)	11 087
Decrease/(Increase) in Escrow investments	161 821	(14 373)
	<hr/>	<hr/>
	-	-

20 Net cash used in investing activities

Acquisition of property, plant and equipment
 Acquisition of intangible assets
 Proceeds from disposal of fixed assets
 Cash used in investing activities

	2008	2007
	R'000	R'000
Acquisition of property, plant and equipment	(2 490)	(133)
Acquisition of intangible assets	(2 396)	(6)
Proceeds from disposal of fixed assets	26	-
Cash used in investing activities	<hr/>	<hr/>
	(4 860)	(139)



National Lotteries Board

Notes to the Annual Financial Statements

Continued

21 Related party transactions

The National Lotteries Board is the regulator of the National Lottery. Gidani (Pty) Ltd is a private company that currently operates the National Lottery under licence from the Government. Uthingo Management (Pty) Ltd is a private company that operated the National Lottery for the seven years ended 31 March 2007. The Operator generally pays monies into the National Lottery Distribution Trust Fund in terms of the licence agreement. These proceeds are destined for good causes as specified in the Lotteries Act, and allocated to deserving applicants by Distributing Agencies appointed by the Minister of Trade and Industry. The National Lotteries Board manages the National Lottery Distribution Trust Fund and accounts for all running costs. The Board withdraws the necessary funds required from the Trust Fund, based on overall annual approval by the Minister of Trade and Industry. All National departments of Government are regarded as related parties in accordance with Circular 4 of 2005: Guidance on the term "state-controlled entities" in the context of IAS24 (AC126) - Related Parties, issued by the South African Institute of Chartered Accountants. No transaction is implicated simply by the nature or existence of the relationships between these entities. However, the following transactions were recorded, relating to transactions with related parties as defined above:

	Notes	2008 R'000	2007 R'000
NLDTF: Transfers and subsidies received	1	33 109	25 194
DTI: Operating lease payments	18	1 485	2 235
Trade and other receivables – NLDTF	13	3 112	10 376
Escrow income transferred to NLDTF	17	161 821	-

In addition to the above, the Minister of Trade and Industry appoints the members to the three Distributing Agencies. It is the duty of the Distributing Agency Members to adjudicate applications for funding within their respective sectors. Note 23 below lists the respective Distributing Agency Members by Sector, together with the emoluments paid or receivable by them for the period under review.



National Lotteries Board

Notes to the Annual Financial Statements

Continued

22 Board Members' Emoluments

The following emoluments were paid to or receivable by the Board Members during the period under review:

Executive Chairperson Mr J A Foster	2008 R'000	2007 R'000
Basic salary	660	587
Home owner allowance	19	13
Annual bonus	50	47
Performance bonus (prior year under provision)	-	9
Travel allowance	182	186
Medical aid	21	19
Pension fund	82	82
Entertainment allowance	2	2
Total	1 016	945

In addition to the above, an accrual has been raised for a performance bonus of R171 000 and a pro-rated annual bonus of R37 000. (2007: R159 000 and R25 000 respectively)

Non-executive Board Members

	Licence evaluation R'000	Meeting attendance R'000	Reimbursive expenses R'000	Total R'000	Total R'000
Axten N	444	26	4	474	63
Fakude-Nkuna N	385	81	-	466	65
Makgothi H	202	23	2	227	27
Thomas S	528	15	-	543	71
Negota G	-	13	3	16	16
Total	1 559	158	9	1 726	242

The Minister approved a revised rate of pay for the licence evaluation undertaken by the Board Members' in the previous year. The back pay was based on actual time spent.

In his capacity as Acting Minister's Nominee, B Muthwa of the Department of Trade & Industry received no remuneration for the period under review.



National Lotteries Board

Notes to the Annual Financial Statements

Continued

23 Distributing Agency Members' Emoluments

The following emoluments were paid to or receivable by the Distributing Agency Members during the period under review:

	Meeting attendance R'000	Reimbursive allowances R'000	Total	Total 2007 R'000
			2008	
			R'000	
Arts, Culture & National Heritage				
Jafta DN (Acting Chairperson)	123	31	154	79
Bagarette N	9	4	13	114
Senna E	88	33	121	100
Mancotywa S	48	11	59	67
Human M	74	27	101	83
Ntuli BD	60	7	67	72
Nevhutanda NA	81	50	131	92
Salemane L	62	17	79	100
Total	545	180	725	707
Charities				
Maitse TE (Chairperson)	186	62	248	254
Grobbelaar MR	160	28	188	157
Madonsela M	143	72	215	155
Magerman AS	133	52	185	168
Matube JM	146	13	159	128
McDonald GA	93	27	120	108
Beck PA	55	19	74	94
Total	916	273	1 189	1 064
Sport & Recreation				
Sam GN (Chairperson)	37	8	45	15
Kajee H	23	4	27	9
Keikabile MR	27	13	40	11
Maharaj HD	19	9	28	12
van Buynder I	7	4	11	9
Tshabalala T	22	13	35	8
van Niekerk C	17	-	17	2
Total	152	51	203	66

National Lotteries Board

Notes to the Annual Financial Statements

Continued

24 Audit Committee Members' Emoluments

The following emoluments were paid to or receivable by the Audit Committee Members during the period under review:

	Number of Meetings	Meeting attendance	Reimbursive allowances	Total 2008	Total 2007
		R'000	R'000	R'000	R'000
Scheepers JFJ	6	63	-	63	57
Axten N	6	72	5	77	59
Thomas S	5	31	3	34	75
Nayager R	5	72	3	75	44
Total		238	11	249	235

25 Taxation

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

26 Contingent liabilities

	2008	2007
	R'000	R'000
Guarantee provided by Nedbank in favour of Growthpoint (Pty) Ltd	1 260	-

National Lotteries Board

Detailed Statement of Financial Performance

for the year ended 31 March 2008

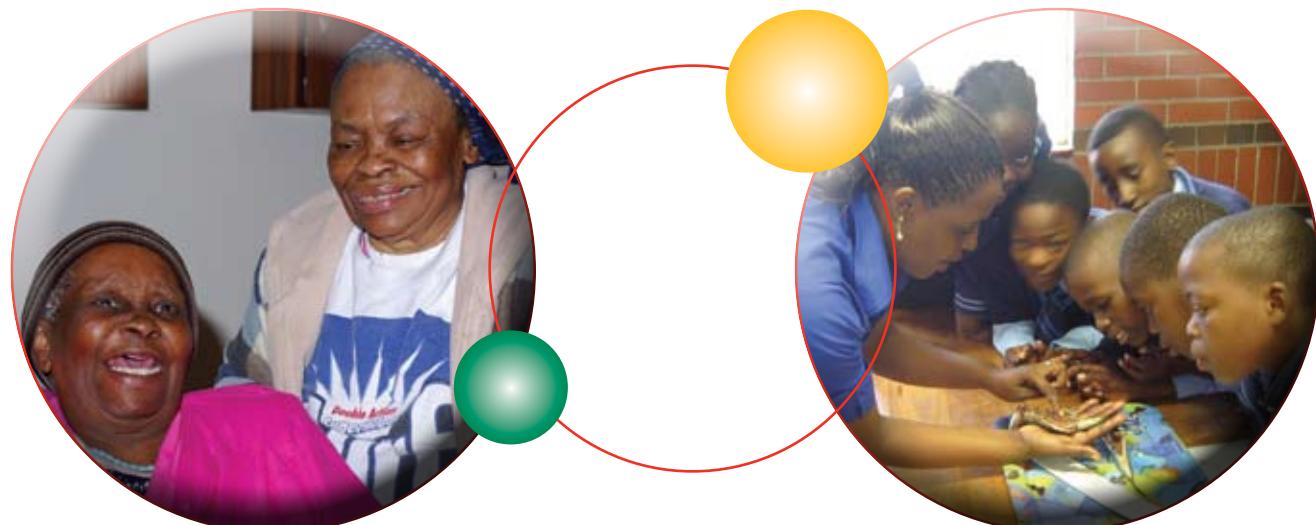
	2008 R'000	2007 R'000
REVENUE		
Transfers and subsidies received	33 109	25 194
Licence fees	654	-
Gains/(losses) on disposal of fixed assets	26	(26)
Other income	43	46
TOTAL REVENUE	33 832	25 214
EXPENDITURE		
Administrative expenses		
General and administrative expenses	186	133
Insurance	38	41
Audit committee emoluments	249	235
Non-executive Board Members' emoluments	1 726	242
Bank charges	22	23
Distributing agency emoluments	2 117	1 837
Legal fees	4 443	1 651
Stationery and printing	191	223
Venues and facilities	31	73
Staff costs		
Salaries		
-Basic salaries	9 927	8 570
-Performance awards	1 397	1 307
-Periodic payments	-	32
-Temporary staff	408	338
-Leave payments/provisions	173	(13)
Provident Fund contribution	1 248	1 125
Social Contributions		
-Medical	673	608
-UIF	66	58
-Risk benefit and management	361	347
Executive Board Member's emoluments	1 225	1 133
Other operating expenses		
Advertising and publicity	1 025	384
Consultants, contractors and special services	3 102	1 216
Courier and postage	54	39
Internal audit sub-contracted	614	224

National Lotteries Board

Detailed Statement of Financial Performance

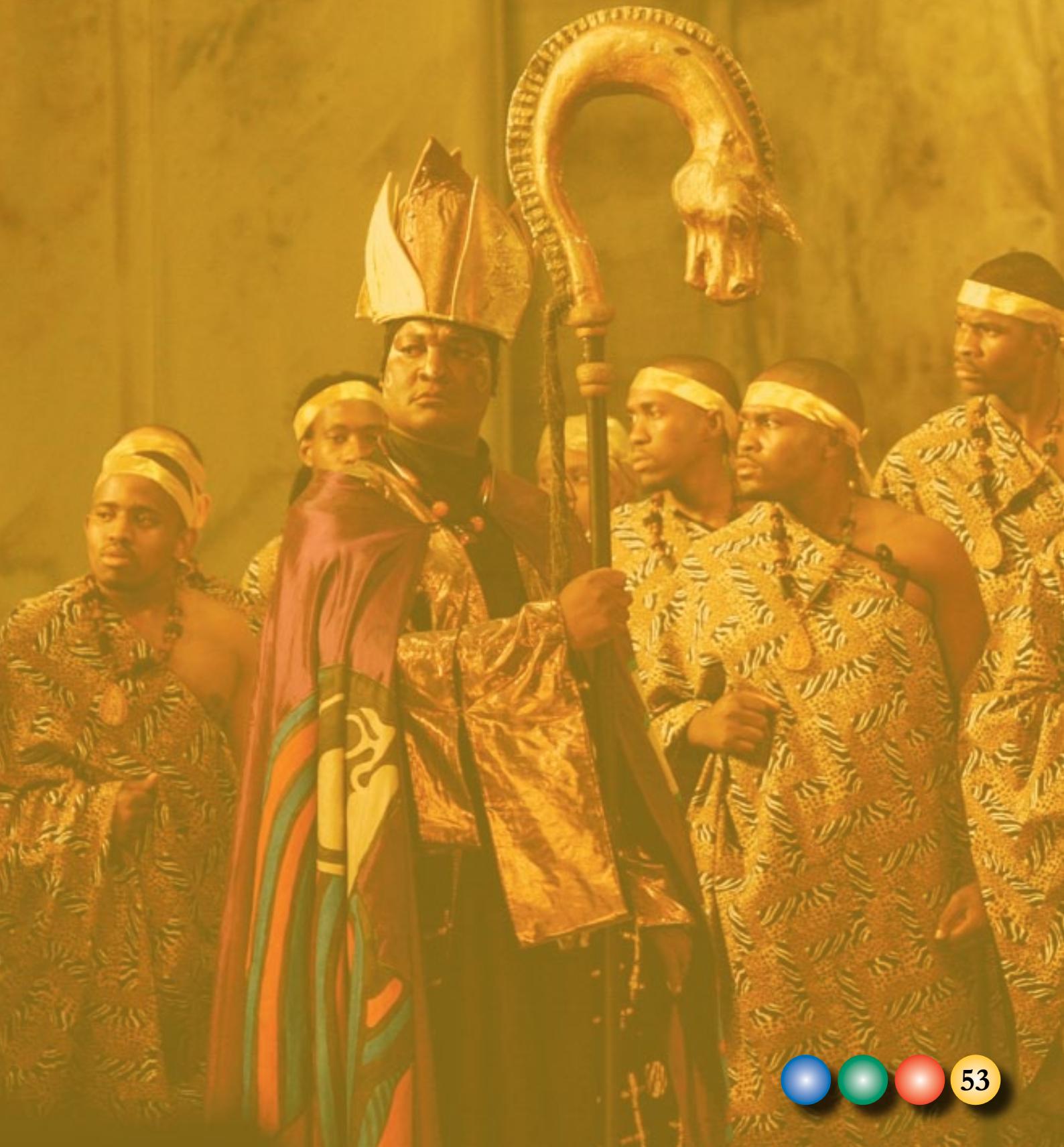
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	2008 R'000	2007 R'000
Equipment items expensed as per Board's policy	6	3
Maintenance, repairs and running costs		
- Property and buildings	13	35
- Machinery and equipment	44	16
- Other maintenance, repairs and running costs	48	13
Meeting refreshments expense	147	100
Rentals in respect of operating leases (minimum lease payments)		
- Premises	2 098	2 235
Staff training and development	4	85
Telephone and fax	134	226
Travel and subsistence	757	1 081
Audit fees	1 188	1 484
Depreciation and amortisation	424	360
TOTAL EXPENDITURE	34 139	25 464
DEFICIT FROM OPERATIONS	(307)	(250)
Finance income	307	250
SURPLUS FOR THE YEAR	-	-



National Lottery Distribution Trust Fund (NLDTF) Annual Financial Statements

for the year ended 31 March 2008



**REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT
ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE NATIONAL
LOTTERY DISTRIBUTION TRUST FUND
FOR THE YEAR ENDED 31 MARCH 2008**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the National Lottery Distribution Trust Fund which comprise the statement of financial position as at 31 March 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 58 to 74.

Responsibility of the accounting authority for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and the Lotteries Act, 1997 (Act No. 57 of 1997). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 28(4), 29(4), 30(4) and 31(5) of the Lotteries Act, 1997 (Act No. 57 of 1997), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

8. The public entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.



**REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT
ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE NATIONAL
LOTTERY DISTRIBUTION TRUST FUND
FOR THE YEAR ENDED 31 MARCH 2008**

Continued

Opinion

9. In my opinion the financial statements present fairly, in all material respects, the financial position of the National Lottery Distribution Trust Fund as at 31 March 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note1 and in the manner required by the PFMA and sections 28(4), 29(4), 30(4) and 31(5) of the Lotteries Act.

OTHER MATTERS

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Matters of governance

10. The PFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
Audit committee		
• The public entity had an audit committee in operation throughout the financial year.	x	
• The audit committee operates in accordance with approved, written terms of reference.	x	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 27.1.8.	x	
Internal audit		
• The public entity had an internal audit function in operation throughout the financial year.	x	
• The internal audit function operates in terms of an approved internal audit plan.	x	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.2.	x	
Other matters of governance		
• The annual financial statements were submitted for audit as per the legislated deadlines section 55 of the PFMA for public entities.	x	
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.	x	
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	x	
• The prior year's external audit recommendations have been substantially implemented.		x

OTHER REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

11. I have not reviewed the performance information as set out on pages 8 to 11.

Responsibility of the accounting authority for the performance information

12. The accounting authority has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

National Lottery Distribution Trust Fund

Report of the Auditor-General

Continued

Responsibility of the Auditor-General

13. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*.
14. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
15. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

16. I refer you to the other reporting responsibilities section of the National Lotteries Board audit report for findings relating to the performance information of the National Lottery Distribution Trust Fund.

APPRECIATION

17. The assistance rendered by the staff of the National Lotteries Board during the audit is sincerely appreciated.

Auditor-General

Pretoria

31 / 07 / 2008



Annual Financial Statements

National Lottery Distribution Trust Fund (NLDTF)

for the year ended 31 March 2008



National Lottery Distribution Trust Fund

Statement of Financial Performance

for the year ended 31 March 2008

	Notes	2008 R'000	2007 R'000
Revenue	1	694 207	1 283 687
Escrow income	2	128 921	-
Other income	3	(1 437)	19 409
TOTAL REVENUE		821 691	1 303 096
 EXPENDITURE			
Allocation of grants	4	830 224	739 122
Assistance to the National Lotteries Board	5	33 109	25 194
Administrative expenses	6	1 261	16
TOTAL EXPENDITURE		864 594	764 332
 (DEFICIT)/SURPLUS FROM OPERATIONS		(42 903)	538 764
Finance income	7	460 231	320 564
Finance cost	8	(17 178)	(4 333)
 SURPLUS FOR THE YEAR		400 150	854 995



National Lottery Distribution Trust Fund

Statement of Financial Position

at 31 March 2008

	Notes	2008 R'000	2007 R'000
ASSETS			
Current assets			
Investments in securities	9	3 705 962	3 176 327
Trade and other receivables	10	64 513	102 150
Cash and cash equivalents	11	1 277 395	1 148 608
Total assets		5 047 870	4 427 085
SURPLUS AND RESERVES			
Surplus	12	3 392 165	2 992 015
LIABILITIES			
Current liabilities			
Provision for allocations by Distributing Agencies	13	1 638 459	1 424 694
Trade and other payables	14	17 246	10 376
		1 655 705	1 435 070
Total equity and liabilities		5 047 870	4 427 085

National Lottery Distribution Trust Fund

Statement of Changes in Net Assets

for the year ended 31 March 2008

	Accumulated surplus
	R'000
Balance at 1 April 2006	2 137 020
Surplus for the year	854 995
Balance at 1 April 2007	<hr/> 2 992 015
Surplus for the year	400 150
Balance at 31 March 2008	<hr/> 3 392 165

National Lottery Distribution Trust Fund

Cash Flow Statement

for the year ended 31 March 2008

	Notes	2008 R'000	2007 R'000
Cash flow from operating activities			
Cash receipts from licence holder and other parties		859 328	1 233 369
Cash paid to beneficiaries, NLB and other parties		(643 959)	(802 069)
Cash generated from operations	15	215 369	431 300
Finance income		460 231	320 564
Finance cost		(17 178)	(4 333)
Net cash from operating activities		658 422	747 531
Cash flow from investing activities			
Increase in investments		(529 635)	(736 348)
Net cash used in investing activities	16	(529 635)	(736 348)
Net increase in cash and cash equivalents		128 787	11 183
Cash and cash equivalents at the beginning of the year		1 148 608	1 137 425
Cash and cash equivalents at the end of the year		1 277 395	1 148 608

National Lottery Distribution Trust Fund Accounting Policies

for the year ended 31 March 2008

Unless otherwise stated, the following are the principal accounting policies of the Trust Fund, which are in all material respects, consistent with those applied in the previous year:

1 Basis of preparation

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

Standard of GRAP	Replacement Statement of GAAP
GRAP 1: Presentation of financial statements	AC101: Presentation of financial statements
GRAP 2: Cash flow statements	AC118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC103: Accounting policies, changes in accounting estimate and errors

Currently the recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 & 3 has resulted in the following changes in the presentation of the financial statements:

1. Terminology differences:

Standard of GRAP	Replacement Statement of GAAP
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit	Profit/loss
Accumulated surplus	Retained earnings

2. The cash flow statement can only be prepared in accordance with the direct method.
3. The amount and nature of any restrictions on cash balances is required.

Paragraph 11 – 15 of GRAP 1 has not been implemented due the fact that the budget reporting standard has not been developed by the local standard setter and the international standard is not effective for this financial year. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect the objective of the financial statements.



National Lottery Distribution Trust Fund

Accounting Policies

Continued

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period. The measurement base applied is historical cost.

4. Statement of compliance with GRAP

At the date of authorisation of these financial statements, the following accounting standards of GRAP were in issue, but not yet effective:

GRAP	4	The Effects of Changes in Foreign Exchange Rates	Not applicable
GRAP	5	Borrowing Costs	Not applicable
GRAP	6	Consolidated and Separate Financial Statements	Not applicable
GRAP	7	Investments in Associates	Not applicable
GRAP	8	Interest in Joint Ventures	Not applicable
GRAP	9	Revenue from Exchange Transactions	Not applicable
GRAP	10	Financial Reporting in Hyperinflationary Economies	Not applicable
GRAP	11	Construction Contracts	Not applicable
GRAP	12	Inventories	Not applicable
GRAP	13	Leases	Not applicable
GRAP	14	Events after the reporting date	
GRAP	16	Investment Property	Not applicable
GRAP	17	Property, Plant and Equipment	Not applicable
GRAP	18	Segment Reporting	Not applicable
GRAP	19	Provisions, Contingent Liabilities and Contingent Assets	
GRAP	23	Revenue from Non-exchange Transactions	Not applicable
GRAP	24	Presentation of Budget Information in Financial Statements	Not applicable
GRAP	100	Non-current Assets held for Sale and Discontinued Operations	Not applicable
GRAP	101	Agriculture	Not applicable
GRAP	102	Intangible assets	Not applicable

Management believes that the adoption of these standards in future periods will have no material impact on the financial statements of the National Lottery Distribution Trust Fund as most of them are irrelevant to the fund and those that are relevant are to a greater extent similar in application and disclosure as the GAAP standards applied currently.

In addition the above statements of GRAP the following standards, amendments and interpretations of SA GAAP became effective in 2007:

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements –

'Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Board's financial instruments, or the disclosures relating to taxation and trade and other payables.

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Board's financial statements.

IFRIC 10, 'Interim financial reporting and impairment', prohibits the

National Lottery Distribution Trust Fund

Accounting Policies

Continued

impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent Statement of Financial Position date. This standard does not have any impact on the Board's financial statements.

The following standards and interpretations of SA GAAP are not yet effective and have not been early adopted by the Board:

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group will apply IAS 23 (Amended) from 1 January 2009 but is currently not applicable to the Board as there are no qualifying assets.

IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This standard will not have any impact on the operations of the Board.

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation will have no effect on the operations of the Board.

2 Revenue recognition

Revenue is recognised when it is probable that future economic benefits will flow to the enterprise and these benefits can be measured reliably. The following specific bases apply:

- Share of ticket sales, unclaimed prize money and other scheduled proceeds according to the licence agreement is recognised as it accrues.

- Interest income is recognised as it accrues, taking into account the effective yield in respect of investments, unless collectability is in doubt.

3 Irregular and fruitless and wasteful expenditure

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

- The PFMA, or
- 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.

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

4 Financial instruments

The NLDTF classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current assets.

The NLDTF's loans and receivables comprise 'investment in securities', 'trade and other receivables' and 'cash and cash equivalents' in the Statement of Financial Position (notes 9, 10 and 11).



National Lottery Distribution Trust Fund

Accounting Policies

Continued

The NLDTF classifies its funds placed with various banking institutions in the form of fixed deposits, banker's acceptances, promissory notes and negotiable certificates of deposit as originated loans and receivables. This category of accounting for investments affords the opportunity of early conversion to cash if required, and not having to necessarily hold all instruments to maturity. These investments are also classified as current assets as it is the express intention to have all investments mature within twelve months from the reporting date. All funds are placed with high credit quality financial institutions approved by the Minister of Finance.

Cash and cash equivalents are shown at the original capital invested plus accrued interest.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in money market instruments that mature in less than three months and are not only considered to be low risk investments, but may also be converted to cash earlier if considered necessary.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the Statement of Financial Position date.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the NLDTF commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the Statement of Financial Performance.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Loans and receivables are carried at amortised cost using the

effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Financial Performance within 'other (losses)/gains – net' in the period in which they arise.

Impairment of financial assets

The NLDTF assesses at each Statement of Financial Position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Statement of Financial Performance.

Impairment losses recognised in the Statement of Financial Performance on equity instruments are not reversed through the Statement of Financial Performance.

Impairment testing of trade receivables is described in note 10.

5 Provisions

Provisions for allocation of grants to beneficiaries are recognised when:

- the NLDTF has a present legal or constructive obligation as a result of past events;
- it is more likely than not, that an outflow of resources will be required to settle the obligation; and
- the amount of the obligation has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect of one item included in the same class of obligation may be small.

Provisions are measured at the present value of the expenditure

National Lottery Distribution Trust Fund Accounting Policies

Continued

expected to be incurred, in order to settle the obligation, using a discount rate that reflects current market assessments of the time value of money, and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

6 Allocation of grants

Allocations are accounted for when applications for assistance from individual entities are approved by the respective distributing agencies.

7 Assistance to the National Lotteries Board

The assistance to The National Lotteries Board is based on actual operating costs for which the Board is responsible.

8 Financial liabilities

Financial liabilities are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

9 Financial risk management

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

i. Market risk

The NLDTF's activities as a regulator do not expose it to a significant amount of market risk. The NLDTF however has numerous controls in place to minimise market risk.

i) Cash flow and fair value interest rate risk

The NLDTF has significant interest bearing assets, thus the NLDTF's income and operating cash flows are affected by

changes in market interest rates.

Cash and cash equivalents are invested on a short term basis which significantly lowers the interest rate risk associated with these balances.

ii. Credit risk

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

The NLDTF also follows regulations issued by National Treasury to manage their exposure to credit risk. This includes spreading the investments held among reputable financial institutions.

iii. 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 on cash and cash equivalents as well as investment accounts to ensure that enough funds are available to meet the needs of the operations.

10 Critical accounting estimates and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

10.1 Critical accounting estimates and assumptions

The NLDTF makes estimates and assumptions concerning the future. No critical estimate or assumption was made during the preparation of these financial statements.

10.2 Critical judgements in applying the entity's accounting policies

No critical judgement was applied in the drafting of these financial statements.



National Lottery Distribution Trust Fund

Notes to the Annual Financial Statements

for the year ended 31 March 2008



National Lottery Distribution Trust Fund

Notes to the Annual Financial Statements

Continued

1 Revenue

An analysis of the Fund's revenue is as follows:

- Game sales
- Unclaimed prizes

	2008 R'000	2007 R'000
	552 773	1 201 029
	141 434	82 658
	694 207	1 283 687

2 Escrow Income

Amount received into Uthingo Licence Agreement
Reimbursement to Uthingo for operating costs

	2008 R'000	2007 R'000
	161 821	-
	(32 900)	-
	128 921	-

3 Other Income

Ancillary activity payment in terms of Schedule 4 of Licence Agreement
Unspent portion for social responsibility in terms of Schedule 14 of Licence Agreement
Unspent portion of self insurance in terms of clause 15.6 of Licence Agreement
Shortfall in retailer commission paid in terms of Schedule 5 of Licence Agreement

	2008 R'000	2007 R'000
	-	7 274
	(1 437)	5 171
	-	6 926
	-	38
	(1 437)	19 409

National Lottery Distribution Trust Fund

Notes to the Annual Financial Statements

Continued

4 Allocation of grants

	2008 R'000	2007 R'000
Current year allocations	972 932	814 868
Prior year movement		
- Grants withdrawn before cash disbursed	(50 890)	(27 963)
- Grants withdrawn and refunded by beneficiary	(440)	(4 097)
- Grants withdrawn but refund still outstanding	(2 275)	(925)
- Grants increased	3 413	135
Impact of present valuing commitments payable beyond twelve months (refer note 13)	(92 516)	(42 896)
Net allocations for the year	830 224	739 122

5 Assistance to the National Lotteries Board

	2008 R'000	2007 R'000
Grant to the National Lotteries Board	33 109	25 194

6 Administrative expenses

	2008 R'000	2007 R'000
Withdrawn grants not recovered	1 248	-
Bank charges	13	16
	1 261	16

7 Finance income

	2008 R'000	2007 R'000
Investments	419 492	298 382
Bank	16 517	821
Unclaimed prizes	24 052	21 145
Beneficiaries	170	216
	460 231	320 564

National Lottery Distribution Trust Fund

Notes to the Annual Financial Statements

Continued

8 Finance cost

	2008	2007
	R'000	R'000

Interest recognised in respect of time value of money	17 178	4 333
---	--------	-------

9 Investments in securities

Investments in the form of fixed deposits and negotiable certificates of deposit with maturity dates greater than three months but no more than twelve months:

	2008	2007
	R'000	R'000
Originated loans and receivables		
Capital amount	3 582 455	3 075 430
Accrued interest	123 507	100 897
	3 705 962	3 176 327
Average yield on investments	11.11%	9.29%

10 Trade and other receivables

	2008	2007
	R'000	R'000
Gidani (Pty) Ltd	48 221	-
Uthingo Management (Pty) Ltd	-	90 289
Uthingo Participants Trust	11 566	6 487
Interest receivable on current and call accounts	3 059	2 996
Claims from beneficiaries inclusive of interest	1 667	2 378
	64 513	102 150

The fair value of trade and other receivables approximates their carrying value.



National Lottery Distribution Trust Fund

Notes to the Annual Financial Statements

Continued

11 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances that are held with registered banking institutions and that are subject to insignificant interest rate risk. The carrying amount of these assets approximates to their fair value.

	2008 R'000	2007 R'000
Cash	2 980	26 429
Call deposits	28 763	9 586
Fixed deposits and negotiable certificates of deposit with maturity dates less than three months	1 245 652	1 112 593
	1 277 395	1 148 608

For the purposes of the cash flow statement cash and cash equivalents comprise the items as listed above.

12 Surplus

	2008 R'000	2007 R'000
Accumulated surplus		
Opening balance	2 992 015	2 137 020
Surplus for the year	400 150	854 995
Closing balance	3 392 165	2 992 015

13 Provision for allocations by Distributing Agencies

	2008 R'000	2007 R'000
Opening balance in respect of grants accrued	1 424 694	1 472 807
Charged to the statement of financial performance		
- Current provision	972 932	814 868
- Additional provisions to prior year allocations	3 412	135
- Unused amounts reversed	(53 605)	(32 985)
- Impact of present valuing commitments payable beyond twelve months	(92 516)	(42 896)
- Interest recognised in respect of time value of money	17 178	4 333
Used during the year	(633 636)	(791 568)
	1 638 459	1 424 694

National Lottery Distribution Trust Fund

Notes to the Annual Financial Statements

Continued

Allocation by Distributing Agencies are paid subject to beneficiaries meeting suspensive conditions. The timing and amount of the payments are subject to the beneficiaries' ability to comply with the suspensive conditions. An expense is recognised for the present value of approved allocation made to beneficiaries by the Distributing Agencies. A discount rate of 11.11% was used (2007 : 8.86%).

14 Trade and other payables

	2008 R'000	2007 R'000
Assistance to the National Lotteries Board	3 112	10 376
Uthingo (Pty) Ltd	14 134	-
	17 246	10 376

15 Cash generated from operations

	2008 R'000	2007 R'000
Surplus for the year	400 150	854 995
Adjusted for:		
- Investment income	(460 231)	(320 564)
- Finance costs	17 178	4 333
Operating cash flows before working capital changes	(42 903)	538 764
Working capital changes	258 272	(107 464)
- Decrease/(Increase) in receivables	37 637	(69 727)
- Increase/(Decrease) in provisions	213 765	(48 113)
- Increase in trade and other payables	6 870	10 376
Cash generated from operations	215 369	431 300

16 Net cash used in investing activities

	2008 R'000	2007 R'000
Investment by way of fixed deposits and negotiable certificates of deposit	(529 635)	(736 348)

National Lottery Distribution Trust Fund

Notes to the Annual Financial Statements

Continued

17 Taxation

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

18 Related party transactions

The National Lotteries Board is the regulator of the National Lottery. Gidani (Pty) Ltd is a private company that currently operates the National Lottery under licence from the Government. Uthingo Management (Pty) Ltd is a private company that operated the National Lottery for the seven years ended 31 March 2007. The Operator pays monies into the National Lottery Distribution Trust Fund in terms of the licence agreement. These proceeds are destined for good causes as specified in the Lotteries Act, and allocated to deserving applicants by Distributing Agencies appointed by the Minister of Trade and Industry. The National Lotteries Board manages the National Lottery Distribution Trust Fund and accounts for all running costs. The Board withdraws the necessary funds required from the Trust Fund, based on overall annual approval by the Minister of Trade and Industry. All National departments of Government are regarded to be related parties in accordance with Circular 4 of 2005: Guidance on the term "state-controlled entities" in the context of IAS24 (AC126) - Related Parties, issued by the South African Institute of Chartered Accountants. No transaction is implicated simply by the nature or existence of the relationships between these entities. However, the following transactions and balances were recorded relating to transactions with related parties as defined above:

	Notes	2008 R'000	2007 R'000
Proceeds from Gidani (Pty) Ltd			
- Share of game sales	1	551 366	-
Proceeds from Uthingo Management (Pty) Ltd			
- Share of game sales and unclaimed prizes	1	1 407	1 283 687
- Other income	3	(1 437)	19 409
Escrow income transferred from NLB	2	161 821	-
Reimbursement to Uthingo for operating costs	2	32 900	-
Financial assistance to NLB	5	33 109	25 194
Trade and other receivables	10	48 221	-
- Gidani (Pty) Ltd			
- Uthingo Management (Pty) Ltd			90 289
- Uthingo Participants Trust		11 566	6 487
Trade and other payables	14	3 112	10 376
- NLB			
- Uthingo		14 134	-

National Lottery Distribution Trust Fund

Notes to the Annual Financial Statements

Continued

19 Irregular expenditure

Government Notice No. R.182 dated 22 February 2001 Schedule 9 Subsection (3) (a) dictates that "If payment by the board of a grant approved by an agency is conditional, the amount of the grant shall be paid by the board into the bank account of the juristic person only after the condition has been met or complied with". Eleven cases totalling R22,329,900 were reported as not having been met or compliant in that the Distributing Agencies concerned on a discretionary basis overrode the necessary condition/s. A major contributor was the payment of R10,467,637 made to the Mangaung Local Municipality where the condition stipulated was the provision of audited financial statements signed by the Auditor-General. The Auditor-General formally communicated reasons for the delay in completing the audit; SASCOC formally motivated the dire need not to delay payment as the SA Games project was placed in jeopardy; and the Chairperson of the Sport Distributing Agency in an emergency obtained six signatures on an urgent resolution to release the funds. All things considered, the funds were duly released.

