NATIONAL LOTTERIES COMMISSION (NLC)

ANNUAL REPORT 2025/26

DATE: 10 NOVEMBER 2026

Presentation to the DTIC Portfolio Committee

Resilience, transition, and modernisation in service of a transparent, trustworthy, developmental regulator.



NATIONAL LOTTERIES COMMISSION
a member of the

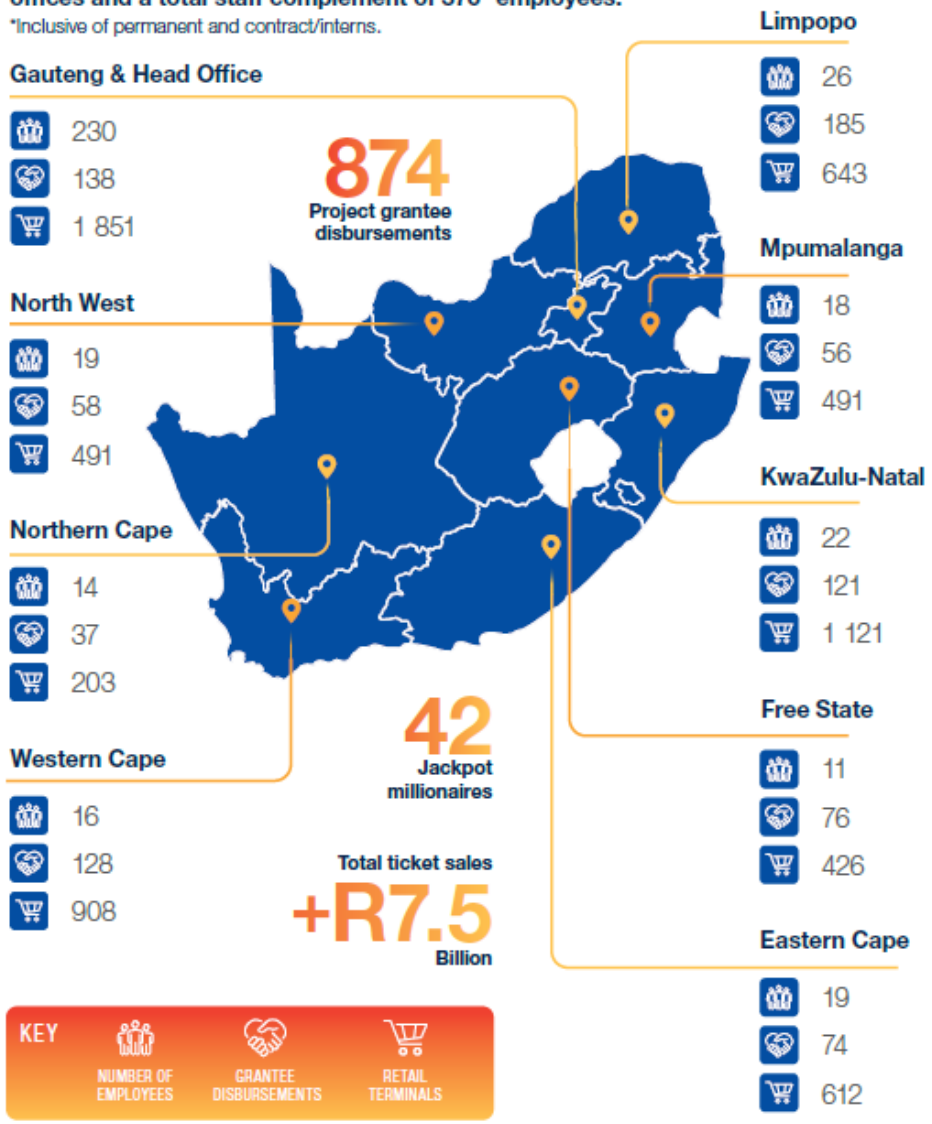
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Our Geographic Footprint

The NLC has a national footprint with nine provincial offices and a total staff complement of 376* employees.

*Inclusive of permanent and contract/interns.



NATIONAL LOTTERIES COMMISSION
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Our Impact 2025/26



17 760
children benefited annually from NLC-funded Centres

91% of monitored lottery schemes compliant with the Lotteries Act

300 million
disbursed to the charities sector

1 321
New Jobs Created through funded projects and lottery operators

189
Education & Awareness sessions conducted nationally

88%
of all approved grants paid within the regulated timeframe

87%
of all planned organisational targets achieved

100%
of eligible projects successfully monitored

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2025/26 Annual Report Highlights

National Lottery Performance: NLDTF contributions for the 2025/26 period amounted to **R1,8 billion**

122 NLC employees received formal training

51 million disbursed for the Arts, Culture & National Heritage Sector

Implementation of the Thuthuka Grant management system

Organisational Performance: **100%** of organisational compliance risks managed

AUDIT

98% implementation of the annual internal audit plan



Our Performance

PART B: NON-FINANCIAL PERFORMANCE

Report on the annual performance report

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

11. I selected the following material performance indicators related to regulatory compliance and grant making presented in the annual performance report for the year ended 31 March 2026. I selected those indicators that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

- Percentage compliance of lottery schemes with the Lotteries Act
- Develop and implement the Licence Monitoring Matrix
- Research on measures to increase the uptake of society lotteries
- Conduct research on worthy good causes that may be funded without lodging an application in terms of the Act
- Strengthened monitoring of funded projects
- Number of jobs created or retained by the NLC funded Grantees, Lottery operator and society lotteries
- Percentage of applications adjudicated within 150 days

- the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets

14. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

15. I did not identify any material findings on the reported performance information for the selected indicators

Other matter

16. I draw attention to the matter below.

Achievement of planned targets

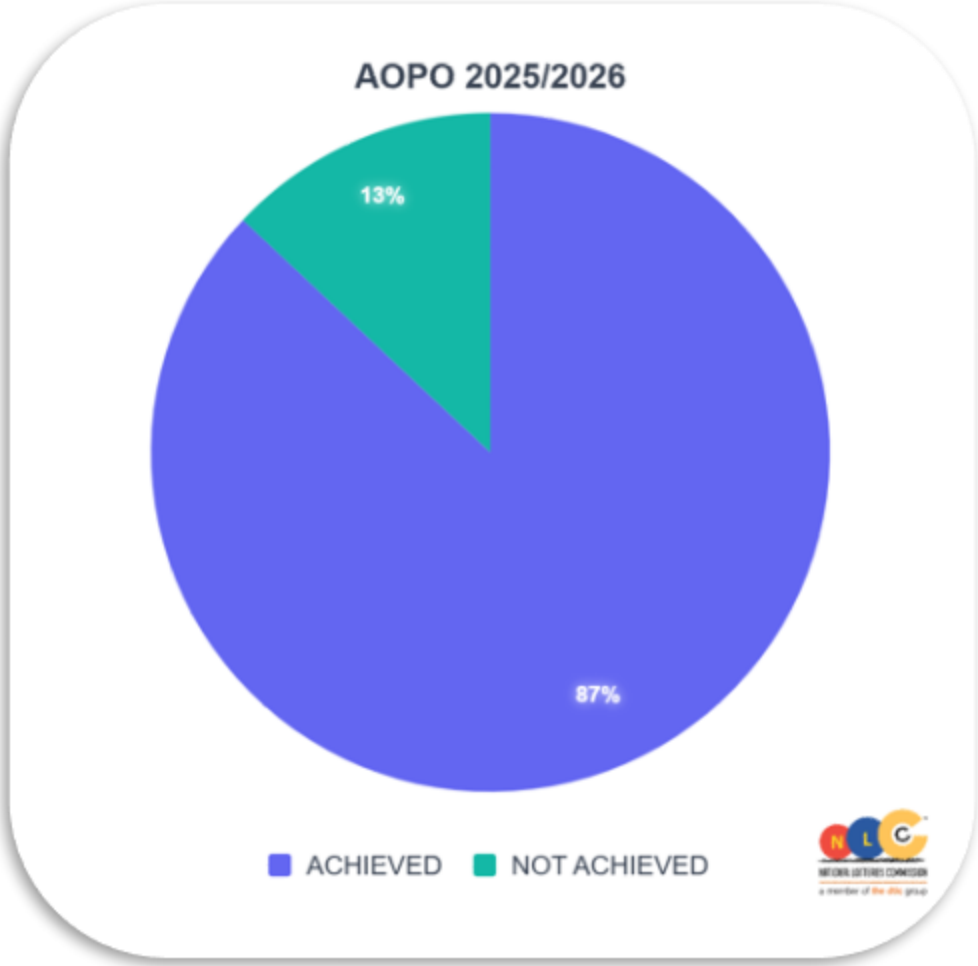
17. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under- achievements.

Material misstatements

18. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for regulatory compliance. Management subsequently corrected all the misstatements, and I did not include any material findings in this report.

NON-FINANCIAL PERFORMANCE

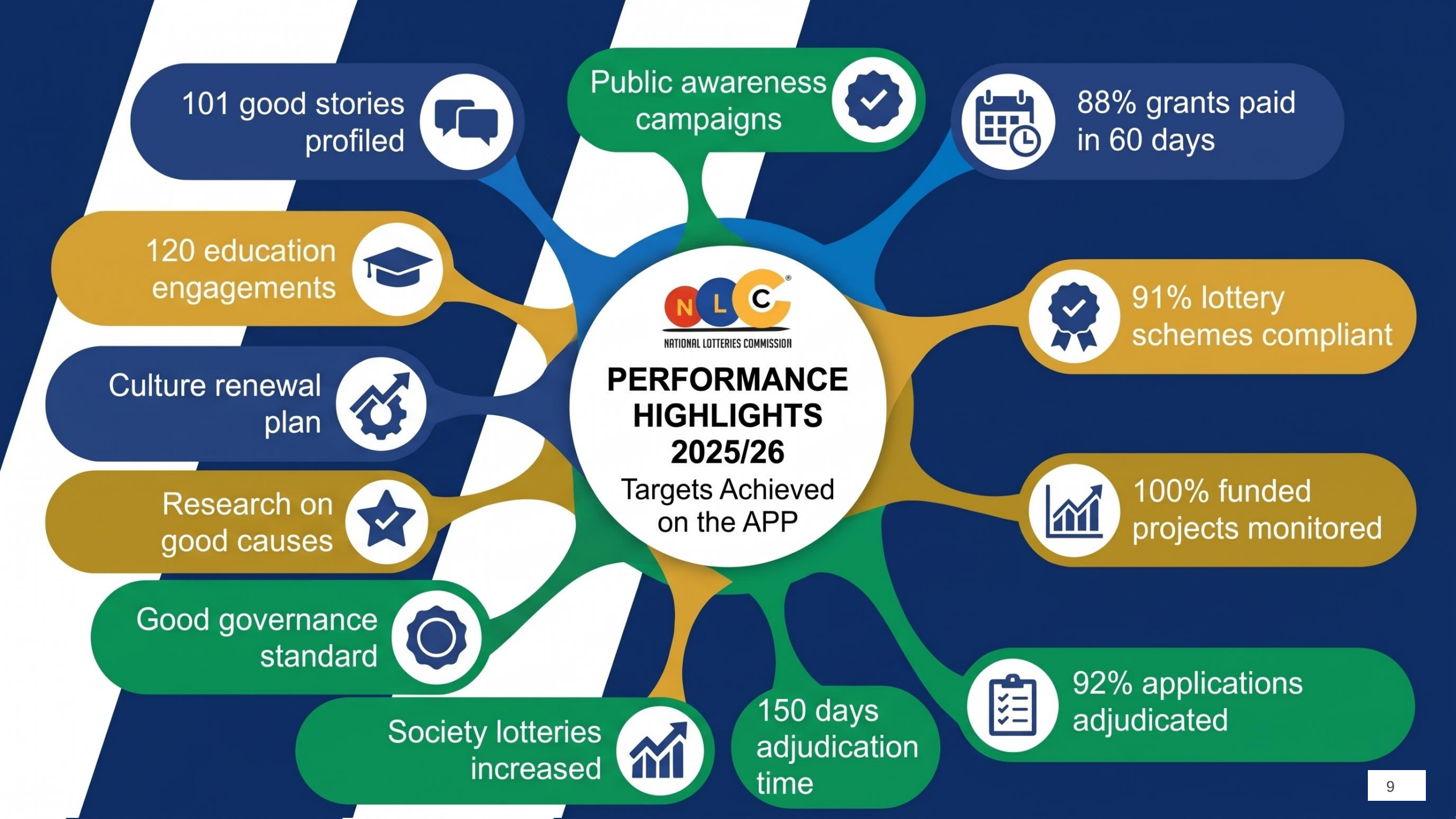
- Total targets in the APP = 15 (100%)
- Total achieved targets: 13 (87%)
- Total not achieved: 2 (13%)



Strategy to overcome areas of under performance

APP 7: Phase 3 of the digital transformation strategy is implemented The module in relation to the HCM Solution will be addressed through the ERP system that will integrate Finance, SCM and HCM into a unified platform. The ERP Business case and budget are currently under review by ICT. Upon approval the procurement process will be initiated.

APP 14: Number of jobs created or retained by the NLC-funded grantees, the lottery operator and society lotteries The cumulative target for the indicator was to create 6 500 jobs. This number has been revised to 3 500 for the new financial year as there is a direct correlation between the number of grants paid, implementation of projects and the jobs target. It is envisaged that the grants disbursed in the 2025/26 financial year will allow the NLC to fully realise the jobs target.


NATIONAL LOTTERIES COMMISSION
PERFORMANCE HIGHLIGHTS 2025/26
Targets Achieved on the APP
101 good stories profiled
Public awareness campaigns
88% grants paid in 60 days
120 education engagements
91% lottery schemes compliant
Culture renewal plan
100% funded projects monitored
Research on good causes
Good governance standard
92% applications adjudicated
Society lotteries increased
150 days adjudication time

PERFORMANCE SCORECARD

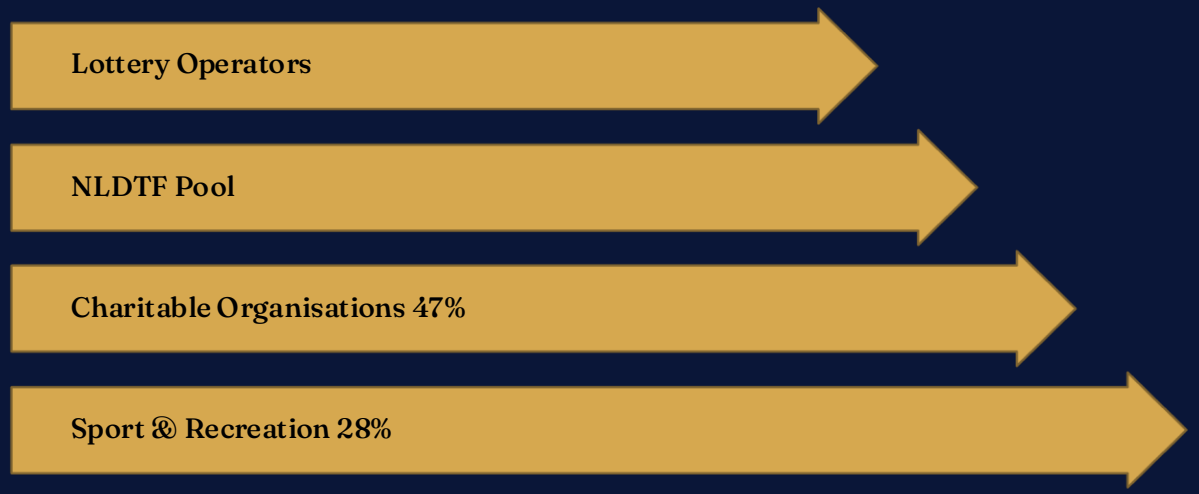
The performance scorecard shows stronger execution with room to improve

National education and awareness engagements	189
Approved grants paid within the regulated 60-day timeframe	88%
Applications adjudicated within 150 days	93%
Invoices paid within 30 days	94.2%
Eligible funded projects monitored	100%

Execution is stronger across payment, adjudication, monitoring, and public education. The remaining gap is speed and consistency, not visibility of the work.

PUBLIC-BENEFIT FUNDING

Funding flows from lottery participation into four public-benefit sectors



Allocation shares



Charitable organisations	47%
Sport and Recreation	28%
Arts, Culture and National Heritage	23%
Miscellaneous Purposes	2%

PUBLIC VALUE IN PRACTICE

Funding translated into jobs, learning, and community reach

Measure	Public value
17,760	Children benefited annually from NLC-funded ECD centres
1,321	Jobs created or retained through funded projects and lottery operators
49	Additional interns placed during the year
119	SMMEs supported year-to-date
10,315	Stakeholders reached through education and awareness engagements



DIGITAL TRANSFORMATION

Thuthuka 4.0 moved grant management into a more transparent digital era

All grant management modules were implemented, with real-time integrations to verify directors and NPO status. Digital workflows improved tracking, compliance checks, and lifecycle management.

16,000+

REGISTERED ORGANISATIONS SERVED

7,000

INCOMPLETE PROFILES STILL REQUIRING SUPPORT



GOVERNANCE RESET

Governance renewal became the foundation for recovery

Policies renewed

95% of organisational policies were reviewed and approved across key operational areas.

Leadership capacity restored

90% of executive and senior management vacancies were filled.

Committees operational

Board committees met regularly and strengthened follow-through on resolutions.

Controls strengthened

The Anti-Bribery Management System aligned to ISO 37001, with stronger whistleblowing and risk controls.

LICENCE TRANSITION

Regulatory credibility was tested by the fourth licence transition

Continuity planning and administrative fairness were central to the process.

May 2025

The previous National Lottery operating licence expired.

Transition

A temporary licence arrangement supported continuity.

Fourth licence

Sizekhaya Holdings was awarded the National Lottery and Sports Pools operating licence.

Public scrutiny

Litigation made transparency, legality, and fairness central to the process.

Process focus: continuity, close oversight, transparency, legality, and administrative fairness.

COMPLIANCE AND ACCESS

Compliance performance improved, but enforcement powers and applicant quality remain pressure points

Measure	Result	What it means
Monitored lottery schemes compliant with the Lotteries Act	91%	Compliance improved, but not all schemes meet the standard.
Lottery schemes monitored and investigated in Q4	188	25 unlawful schemes represented an estimated R6.6 million financial impact.
Grant applications adjudicated	1,226	233 approved, 843 declined, and 150 returned for more information.
Applicant constraint	High	Non-compliance continues to constrain access, disbursement, and job creation.

Statutory Audit and Financial Results 2025.26

Audit outcomes



GROUP
Unqualified with findings

NLC
National Lotteries Commission

Unqualified with findings

Accounts fairly presented.
Compliance findings.

NLDTF
National Lottery Distribution Trust Fund

Qualified

Grant expenditure and liabilities overstated by R5.527m.
Contingent liabilities understated by the same amount.

NLPT
National Lotteries Participants Trust

Unqualified

AGSA reported no significant internal control deficiencies.

Source: NLC Annual Report 2025/26, AGSA reports, pp 161–163, 255–257 and 303

UNPACKING THE AUDIT FINDINGS



NLC
National Lotteries Commission

ONE ADJUSTMENT TO THE AFS

- One adjustment to the AFS – commitments of R1.985m.
- This was due to a mathematical error on the manual spreadsheet, linking of numerous contracts to one supplier. **Root cause – human error due to a manual process.**

HOW WE WILL FIX

- Short-term solution – monthly reconciliations to identify any issues (3 levels of review).
- Long-term solution – ERP solution that will automate all reconciliations.

COMPLIANCE MATTERS

- Disciplinary processes not completed on time – this related to an isolated matter where consultation with an ER expert was required. **The matter has been resolved post audit.**
- SCM – non-compliance to policy and errors identified on tenders awarded.

NLDTF
National Lottery Distribution Trust Fund

ERRORS PICKED UP ON TWO GRANTS

- Error 1 – in rural KZN a crèche submitted 3 quotes for capital expenditure, however not all items were on the three quotes.
- Error 2 – an NPO in Durban submitted a fictitious quote for the lawnmower, however the item was not procured by the NPO.

ROOT CAUSE

- Lack of understanding in the sector/operations on financial requirements.

HOW WE WILL FIX

- Targeted capacity building.
- Finance focused training for operations teams.
- 100% review of all quotations submitted.

NLC Group financial snapshot

2025 compared with 2026

R million, rounded to the nearest million. 2025 comparatives are restated.



Revenue
−3.8%
R2 322m → R2 235m

Total expenditure
−27.9%
R1 646m → R1 186m

Grant expenditure
−56.6%
R987m → R428m

Operating surplus
+55.1%
R676m → R1 049m

Cash and equivalents
+27.2%
R4 402m → R5 598m

Net assets
+24.1%
R4 346m → R5 394m

Source: NLC Annual Report 2025/26, audited financial statements, printed pp 179–180.

Key takeaways

Revenue
Decreased by 3.8% to R2.235 billion, mainly due to lower ticket sales contribution following the temporary licence period.

Total expenditure
Decreased by 27.9% to R1.186 billion, primarily due to a reduction in recognised grant expenditure from R986.9 million to R428.2 million.

Grant expenditure
Decreased by 56.6% to R428.2 million. Approved grants are initially disclosed as contingent liabilities and only recognised as expenditure once all compliance and recognition conditions have been met.

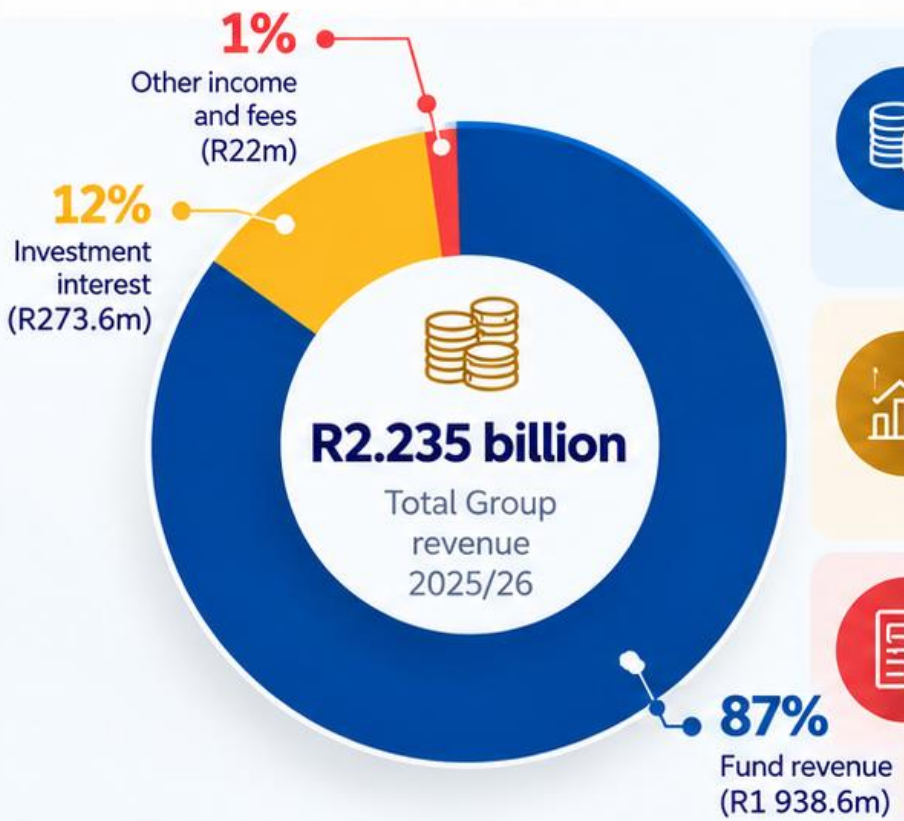
Operating surplus
Increased by 55.1% to R1.049 billion.

Cash and net assets
Cash increased by 27.2% to R5.598 billion and net assets increased by 24.1% to R5.394 billion, providing a strong liquidity position.

Where Group revenue came from in 2026

Fund revenue remains the primary source of the Group's revenue.





87%
Fund revenue
R1 938.6 million

Mainly the share of ticket sales, expired and unclaimed prizes, and interest received from the Participants Trust.

12%
Investment interest
R273.6 million

Higher cash balances supported stronger interest earnings.

1%
Other income and fees
R22 million

Includes other operating income and fees.

Key messages

Fund revenue 87%

Fund revenue contributed 87% of total Group revenue (R1 938.6 million), mainly due to the lower ticket sales contribution during the temporary licence period.

Investment interest 12%

Investment interest contributed 12% (R273.6 million), supported by higher cash balances.

Other income and fees 1%

Other income and fees contributed approximately 1% (R22 million).

Key takeaway

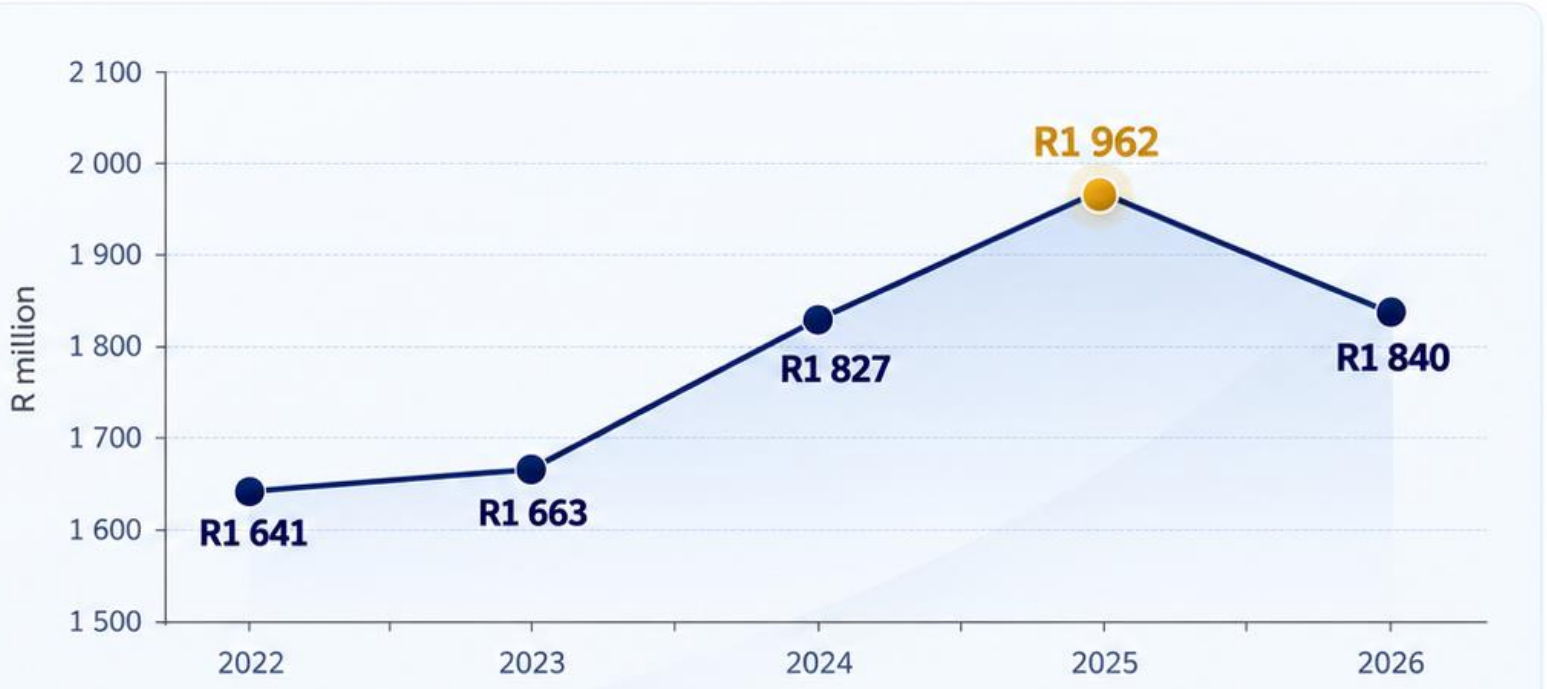
Fund revenue remains the primary source of the Group's revenue in 2026, confirming the NLC's continued reliance on lottery funding.

Source: NLC Annual Report 2025/26, audited financial statements, printed pp 179–180.



Share of Ticket Sales: Five-Year Trend

2022–2026 | Amounts in R million



2022	2023	2024	2025	2026
R1 641m	R1 663m	R1 827m	R1 962m	R1 840m

KEY MESSAGE

Ticket sales peaked in 2025 at R1 962 million and remained above 2024 levels in 2026.

ADDITIONAL INSIGHTS

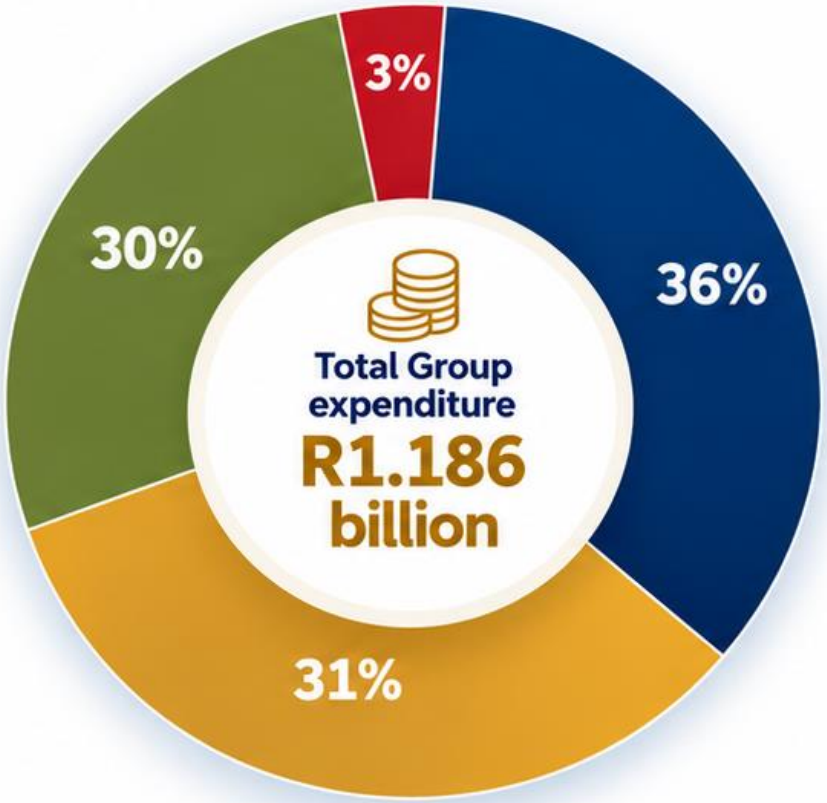
1. The contribution from ticket sales increased from approximately R1.641 billion in 2022 to R1.962 billion in 2025, before declining to R1.840 billion in 2026.
2. The latest decrease of 6.2% was mainly attributable to the lower contribution percentage received from the operator during the temporary licence period.
3. These figures represent the Fund's share of ticket sales, rather than total lottery ticket sales.

Source: NLC Annual Report 2025/26.



How Group expenditure was applied in 2026

Expenditure composition | Percentage of total Group expenditure



36%
Recognised net grant expenditure*
R428.2 million
Recognised grant expenditure in line with the accounting policy on grants (see note below).

31%
Employee costs
R370.0 million
Salaries, allowances and related costs.

30%
Goods and services
R350.2 million
Professional services, facilities, ICT and other operating costs.

3%
Other expenditure
R37.6 million
Depreciation, impairment and other costs.

Grant expenditure
Decreased compared to the prior year due to the change in accounting policy on grants.

Operating costs
Expenditure excluding grants increased by 15.1%.

Key messages

Recognised net grant expenditure 36%
R428.2 million was recognised in the income statement. Approved grants are initially disclosed as contingent liabilities and recognised as expenditure only once the required compliance and recognition conditions have been met.

Operating costs 64%
Expenditure excluding grants increased by 15.1%, mainly due to higher employee costs and goods and services.

Accounting policy impact
Recognised grant expenditure decreased compared to the prior year due to the change in accounting policy on grants.

Continued focus
To manage costs prudently while accelerating the conversion of approved funding into compliant grant payments and measurable community benefits.

* This slide presents net expenditure after revocations.
Source: NLC Annual Report 2025/26, audited financial statements, printed pp 179–180.

Approved grant funding pipeline

Approvals, expenditure and the closing contingent liability balance measure different stages.

01

APPLICATIONS ADJUDICATED

Applications are assessed and adjudicated.

02

GRANTS APPROVED BY DISTRIBUTING AGENCIES

Approved grants move into the approved pipeline.

03

MANDATORY COMPLIANCE CHECKS

Compliance requirements determine whether amounts are recognised in expenditure or remain contingent.

RECOGNISED IN INCOME STATEMENT

Grants where all payment conditions were met by 31 March.

2026 recognised grant expenditure

R428.249 million Note 6

DISCLOSED AS CONTINGENT LIABILITIES

Approved grants still awaiting mandatory compliance requirements.

Closing contingent liabilities

R1 013.843 million Note 39

This explains why grant expenditure in the income statement is lower than the total value of grants approved during the year.

Total grant approvals **R1 442.092 million** = Recognised grant expenditure **R428.249 million** + Approved grants awaiting compliance **R1 013.843 million**

Source: NLC Annual Report 2025/26, accounting policy 15 and notes 6, 21 and 39.

Approved grant funding pipeline

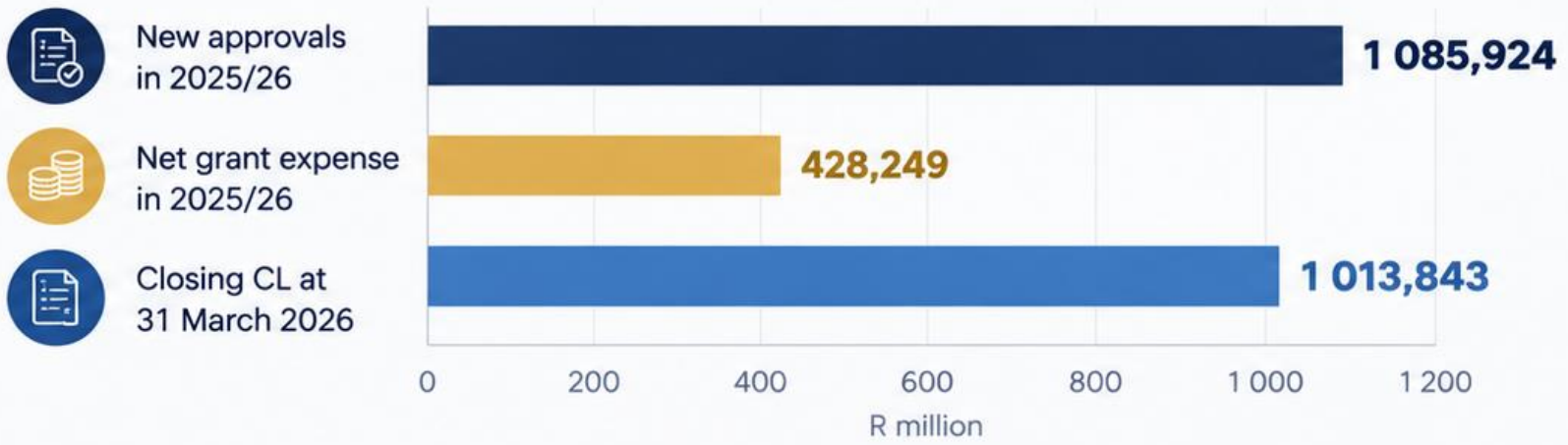
Approval, expenditure and the closing contingent balance measure different stages.



01 AWARD
Approved grants enter the contingent liability disclosure.

02 REQUIREMENTS MET
Qualifying amounts become grant expenditure and payable liabilities.

03 PAYMENT
Cash paid settles the recognised grant liability.



Why the figures differ

Closing CL includes approvals from earlier years.

Only amounts meeting recognition requirements move into expenditure.

R431.054m
Gross recognition

−

R2.805m
Revocations

=

R428.249m
Net grant expenditure

Source: NLC Annual Report 2025/26, accounting policy 15 and notes 6, 21 and 39. CL means contingent liabilities.

Gross grant expenditure before revocations and cash disbursement trend

R million



Total gross grant expenditure before revocations
2022–2026
R4.119 billion

Total cash disbursed
2022–2026
R4.041 billion

Ongoing priority

To resolve these bottlenecks while ensuring that funding is released against properly verified requirements and delivers measurable community benefits.

Source: NLC Annual Report 2025/26, audited financial statements, printed pp 179–180.

Key messages

Different measures
The graph compares gross grant expenditure recognised (before revocations) with cash paid to beneficiaries. These measures differ because payments may settle grants recognised in the current year or earlier years.

2026 gross grant expenditure
R431.1 million
After revocations of R2.8 million, net grant expenditure recognised on the income statement was R428.2 million.

Actual grant payments
R438.0 million
Cash disbursed increased to R438.0 million in 2026, compared with R987.8 million in 2025.

Reason for lower levels
System implementation challenges, the late appointment of distributing agencies and outstanding beneficiary compliance requirements slowed the conversion of approvals into expenditure and payments.

Declining new irregular and fruitless and wasteful expenditure

Progress in controls, accountability and consequence management



Irregular expenditure

2024/25	2025/26	Reduction
R6.776m	R5.396m	↓ 20.4%

Fruitless and wasteful expenditure

2024/25	2025/26	Reduction
R35 000	R10 000	↓ 71.4%

The reduction in new expenditure reflects progress in strengthening controls and accountability.

Consequence management has included corrective counselling, written and final warnings, and disciplinary proceedings.

Irregular expenditure

- Historical irregular expenditure items have been submitted to National Treasury for condonation.
- **R504 000** was condoned during the year.
- The accumulated balance of **R660.886 million** relates to historical irregular expenditure that has been submitted to and is with National Treasury for condonation.
- Total irregular expenditure confirmed during the year decreased from **R44.374 million** to **R5.396 million** — an **87.8% reduction**.

Fruitless and wasteful expenditure

- New expenditure decreased to **R10 000**, relating to traffic fines and no-show charges.
- These amounts are recoverable from responsible employees under NLC policies, with recovery pursued through the applicable processes.
- The accumulated balance was **R21.179 million**, substantially unchanged from the previous year.
- Historical fruitless and wasteful expenditure of **R19.5 million** relates to grant matters that the SIU is investigating.

Three material irregularities

Historical infrastructure matters • recovery progress and formal MI status



R45.870 million
previous proactive funding

These three matters relate to infrastructure projects funded by the NLC. They were identified by AGSA as material irregularities and are being addressed through the applicable recovery and consequence management processes.

Material irregularity	What transpired	Original value	AGSA notified	Current status
 **Motheo sports complex**	Payments made for a sports complex that was not delivered; inadequate due diligence.	R6.000m	25 July 2023	SIU matter; ruling obtained. Recovery is being pursued by the SIU.
 **eDumbe Old Age Home**	Construction was abandoned before completion, with substandard work; facility not delivered.	R26.828m	15 December 2023	Matter remains with the SIU; recovery and value-for-money work ongoing.
 **eDumbe professional services (Lerumo)**	Paid for project oversight and completion services that were not fulfilled.	R13.042m	15 December 2023	Recovery concluded.

NLC management and AGSA are engaging to get to a common understanding of the requirements to close out these findings as AGSA are using application-based principles on research-based funding projects.

NEXT PHASE

The next phase is about making reform visible in everyday delivery

01

Move funds faster

Improve grant disbursement speed and reduce bottlenecks without weakening controls.

02

Make access easier

Raise applicant compliance and make digital services easier to use.

03

Measure what changes

Strengthen monitoring, evaluation, stakeholder engagement, and impact measurement.

04

Deepen inclusive growth

Focus on food security, circular economy, SMME support, and sustainable livelihoods.


Thank you!