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**AUDIT SERVICES
CORPORATION**

NATIONAL LOTTERY ADMINISTRATION

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

30 SENE 2015 (7 JULY 2023)



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Office of the Federal Auditor General
Audit Services Corporation

**INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
NATIONAL LOTTERY ADMINISTRATION**

Report on the Audit of the Financial Statements

Opinion

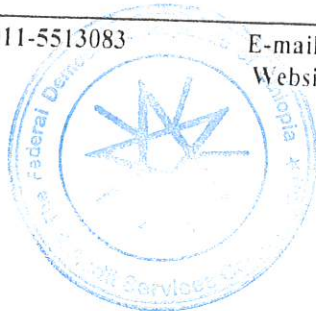
We have audited the financial statements of National Lottery Administration (The Administration) which comprise the balance sheet as at 30 Sene 2015 (7 July 2023), and the profit and loss account, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the National Lottery Administration as at 30 Seen 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards Generally accepted accounting principles and the requirements of the Commercial Code of Ethiopia of 2021.

Basis for Qualified Opinion

1. Property, plant and equipment which were physically counted at the yearend were not reconciled and agreed with the fixed asset register. As a result of this the physical existence of property, plant and equipment, with value of which are reflected in the balance sheet of the administration at Birr 227,617,607 could not be fully ascertained.
2. Yearend lottery count and sales receivable shows un-reconciled difference of Birr 2,865,358 and staff debtors included abnormal (credit) balance of Birr 2,261,126. In consequence we were unable to determine whether any adjustment might have been found necessary in respect of debtors shown on the balance sheet at Birr 72,119,455.
3. There was no adequate internal control over the recording of proceeds from Ticket sales which we could rely for the purpose of our audit. In consequence we were not able to determine whether any adjustment might have been found necessary in respect of proceed from Ticket sales reported in profit and loss account at Birr 1,112,986,373.

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**INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
NATIONAL LOTTERY ADMINISTRATION (continued)**

Basis for Qualified Opinion (continued)

4. Value added Tax (VAT) and Prize tax payable ledgers closing balances showed differences of Birr 6,055,817 and 21,250,067 respectively with their respective subsequent tax settlements, the settlements being lesser in amount, and we did not obtain satisfactory explanation for the reason that they had not been settled. Consequently, we were unable to ascertain the balance of tax payable shown under creditors account at Birr 41,002,966.
5. There is a netted-off un-reconciled balance of Birr 41,084,700 between Cash at bank ledger and the bank statement balance at the year-end, more over we were not provided with cash count certificate amounted to Birr 969,555. As a result, we were unable to determine whether any adjustments might have been found necessary in respect of Cash and bank balances shown on the balance sheet at Birr 453,772,420.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the administration in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with those requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matters described in the *Basis for Qualified Opinion Section*, we have determined that there are no other Key audit matters to communicate in our Report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles and in the manner required by the Commercial Code of Ethiopia of 2021, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Administration's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate The Administration or to cease operations, or has no realistic alternative but to do so.

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**INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
NATIONAL LOTTERY ADMINISTRATION (continued)**

Responsibilities of Management and Those Charged with Governance for the Financial Statements (continued)

Those charged with governance are responsible for overseeing the Administration's financial reporting process.

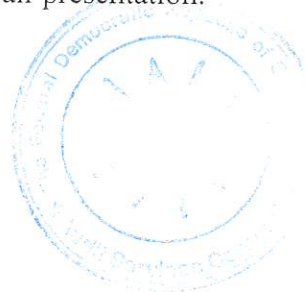
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Administration's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Administration's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause The Administration to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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**INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
NATIONAL LOTTERY ADMINISTRATION (continued)**

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Weizero Banchiayehu Tamrat.

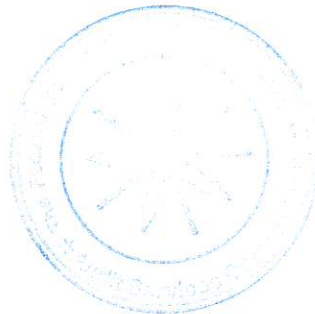
Audit Services Corporation

3 January 2025



NATIONAL LOTTERY ADMINISTRATION
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 7 JULY 2023

	Notes	Birr	2022 Birr
SALES			
Proceeds from ticket sales	3	1,112,986,373	877,995,020
Less: Sales commission	4	<u>169,850,574</u>	<u>142,799,843</u>
		943,135,799	735,195,177
PRIZES	5	<u>467,965,304</u>	<u>400,219,631</u>
GROSS SURPLUS		475,170,495	334,975,546
Less: Value added tax		<u>62,045,030</u>	<u>43,558,448</u>
		413,125,465	291,417,098
Other income	6	<u>460,872,808</u>	<u>255,238,215</u>
		873,998,273	546,655,313
EXPENSES			
Operating	7	202,313,002	153,895,105
Administrative - Head Office	8	65,166,789	35,047,446
Advertising and sales promotion		41,551,675	25,601,487
Audit fee		-	560,000
Drawing expenses		<u>814,880</u>	<u>206,470</u>
		<u>309,846,346</u>	<u>215,310,508</u>
PROFIT FOR THE YEAR		<u>564,151,927</u>	<u>331,344,805</u>



**NATIONAL LOTTERY ADMINISTRATION
BALANCE SHEET
AS AT 7 JULY 2023**

	Notes	Birr	2022 Birr
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	<u>227,617,607</u>	<u>195,098,924</u>
CURRENT ASSETS			
Stock	10	49,324,103	53,019,415
Debtors	11	72,119,455	36,778,086
Cash and bank balances		<u>453,772,420</u>	<u>316,288,171</u>
		<u>575,215,978</u>	<u>406,085,672</u>
TOTAL ASSETS		<u>802,833,584</u>	<u>601,184,596</u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Capital		100,000	100,000
Reserve	12	1,000,000	1,000,000
Contributions	13	<u>1,516,898</u>	<u>1,516,898</u>
TOTAL EQUITY		<u>2,616,898</u>	<u>2,616,898</u>
NON-CURRENT LIABILITIES			
Ministry of Finance and Economic Development	14	<u>522,749,235</u>	<u>267,361,213</u>
CURRENT LIABILITIES			
Creditors	15	119,137,772	120,982,548
Prizes payable	16	<u>158,329,679</u>	<u>210,223,937</u>
		<u>277,467,451</u>	<u>331,206,485</u>
TOTAL EQUITY AND LIABILITIES		<u>802,833,584</u>	<u>601,184,596</u>



**NATIONAL LOTTERY ADMINISTRATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 7 JULY 2023**

	Birr	2022 Birr
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	564,151,927	331,344,805
Adjustments for		
Provision for debt	12,504,241	
Depreciation of non-current assets	<u>18,413,521</u>	<u>11,925,770</u>
	595,069,689	343,270,575
Movements in working capital		
(Increase) /decrease in stock	3,695,312	15,599,913
Increase in debtors	(47,845,610)	24,337,801
(Decrease)/ increase in creditors except MOF accrual	(1,844,776)	29,344,475
(Decrease)/ increase in millinuim Lottry Payable	-	(4,509,399)
Increase in prizes payable	<u>(51,894,258)</u>	<u>22,105,053</u>
Net cash generated by operating activities	<u>497,180,356</u>	<u>430,148,419</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	(95,377,235)	(161,769,512)
Transfer from stock	44,445,031	<u>96,444,508</u>
Net cash used in investing activities	<u>(50,932,203)</u>	<u>(65,325,004)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to Central Treasury	(363,938,307)	(180,353,062)
Transfer to Mof resrve account	100,000,000	-
Accrual to Ministry of Finance	<u>(44,825,596)</u>	<u>(90,188,241)</u>
Net cash used in financing activities	<u>(308,763,903)</u>	<u>(270,541,303)</u>
	<u>137,484,250</u>	<u>94,282,111</u>
Increase in cash and cash equivalents	137,484,251	94,282,111
Cash and cash equivalents at the beginning of the year	<u>316,288,170</u>	<u>222,006,060</u>
Cash and cash equivalents at the end of the year	<u>453,772,420</u>	<u>316,288,171</u>



NATIONAL LOTTERY ADMINISTRATION

NOTES TO THE FINANCIAL STATEMENTS

1. ENTERPRISE INFORMATION

The National Lottery was established over 60 years ago. The present Administration was re-established in February 2009 as an autonomous federal agency having its own legal personality. Its main objective is to undertake and supervise lottery activities.

Current lotteries are of two basic types – lottery tickets with instant prizes, such as scratch tickets, and games with pre-printed tickets whereby the draw is at a fixed future date.

The Administration has its Head Office in Addis Ababa, Ethiopia and branches throughout the country.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with Generally Accepted Accounting Principles.

b) Basis of preparation

The financial statements have been prepared on a historical cost basis, except for the measurement of impaired assets at their recoverable amounts. The principal accounting policies are set out below.

c) Revenue

Revenue from pre-printed ticket and the corresponding prizes are recognized as at the date of the draw. Revenue from games with instant prizes is recognized when sales are effected.

d) Prizes

Prizes remaining unclaimed for six months from the date of a draw are forfeited.



NATIONAL LOTTERY ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Other income

i) Finance revenue

Finance revenue comprises interest receivable from bank deposits and is recognized as it accrues in profit or loss.

ii) Other operating income

Other income is recognized when significant risks and rewards of ownership are transferred to the recipient and the amounts of revenue can be measured reliably.

f) Stock

Stock is valued on the basis of average cost.

g) Tangible assets

i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged on the straight-line basis at the following rates per annum.

	<u>%</u>
Buildings	5
Motor vehicles	20
Miscellaneous equipment	10

ii) Construction in progress

Constructions in progress are included under property, plant and equipment and comprise costs incurred on ongoing capital works.

h) Taxation

The Administration is not subject to income tax on its profits.



NATIONAL LOTTERY ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial instruments

Financial assets and financial liabilities are recognized when the Enterprise becomes a party to the contractual provisions of the instrument. They are initially measured at fair value.

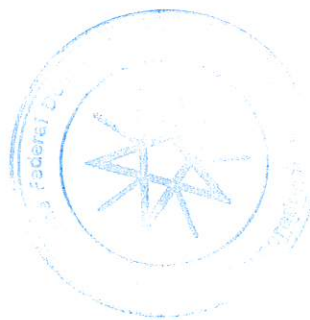
Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks in current and deposit accounts and short term, highly liquid investments with maturity periods of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and at banks net of short-term finances.

k) Distribution of profit

The profit for the year is due to Ethiopian Investment Holdings.



NATIONAL LOTTERY ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS (continued)

3 PROCEEDS FROM TICKET SALES

	Birr	2022 Birr
Instant lottery	70,072,360	69,040,940
Regular draws	142,830,900	15,924,900
Tombola	69,663,000	65,260,250
Bingo	188,169,650	230,183,890
Special draws	120,754,060	139,470,260
Enkutatash	202,877,900	155,456,000
Edil	500,000	(1,089,800)
X-mass	98,178,950	87,633,450
Tinsea	94,605,950	53,904,370
Ex-Special	52,795,200	62,210,760
Admas	<u>72,538,403</u>	=
	<u>1,112,986,373</u>	<u>877,995,020</u>

4 SALES COMMISSION

	Birr	2022 Birr
Instant lottery	12,129,054	11,974,578
Regular draws	22,653,495	2,079,790
Tombola	11,491,875	10,058,450
Bingo	30,864,874	37,495,959
Special draws	19,907,017	22,643,479
Enkutatash	32,431,380	25,297,400
X-mass	16,184,293	14,222,658
Tinsae	15,501,967	8,761,856
Ex-Special	<u>8,686,620</u>	<u>10,265,674</u>
	<u>169,850,574</u>	<u>142,799,843</u>

5 PRIZES due

	Birr	2022 Birr
Instant lottery	32,939,649	32,449,242
Regular draws	61,652,500	8,565,480
Tombola	30,085,076	22,560,727
Bingo	85,937,079	105,124,983
Special draws	42,927,000	86,113,200
Enkutatash	68,850,000	68,850,000
Edil	35,800,000	-
X-mass	35,800,000	35,800,000
Tinsae	23,998,000	16,758,000
Ex-Special	<u>49,976,000</u>	<u>23,998,000</u>
	<u>467,965,304</u>	<u>400,219,631</u>



NATIONAL LOTTERY ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS (continued)

6 OTHER INCOME

	Birr	2022 Birr
Promotion , game permits and Tombola	428,023,782	193,855,198
Unclaimed prizes	25,229,154	30,103,067
Unsold and duplicate ending	6,671,726	27,848,705
Miscellaneous	948,146	4,584,083
	<u>460,872,808</u>	<u>256,391,053</u>

7 OPERATING EXPENSES

	Birr	2022 Birr
Salaries and staff benefits	75,154,634	73,094,037
Printing of tickets	102,042,648	57,132,959
Freight	100,856	205,458
Rent	7,529,436	7,784,589
Per diem and desert allowance	10,988,998	8,356,428
Entertainment	3,358,967	5,017,508
Communications	1,284,609	1,648,805
Managerial allowance	194,000	55,400
Utility	1,191,361	420,469
Miscellaneous	467,493	179,451
	<u>202,313,002</u>	<u>153,895,105</u>

8 ADMINISTRATIVE EXPENSES - HEAD OFFICE

	Birr	2022 Birr
Car running	5,802,719	2,797,112
Depreciation	18,413,521	11,925,771
Cleaning and sanitation	3,764,021	2,636,782
Uniforms	4,390,494	3,732,766
Insurance	2,028,667	1,938,872
Stationery and office supplies	4,565,554	2,892,741
Professional fees	4,006,581	1,102,980
Membership fees	111,000	2,982
Repair and maintenance	5,752,431	4,142,365
Miscellaneous	16,331,800	3,875,075
	<u>65,166,789</u>	<u>35,047,446</u>



NATIONAL LOTTERY ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS (continued)

9 PROPERTY, PLANT AND EQUIPMENT

	Balance at 7 July 2022 Birr	Additions Birr	Adjustments Birr	Balance at 7 July 2023 Birr
<u>COST</u>				
Buildings	120,675,539	4,648,178		125,323,717
Motor vehicles	50,738,581	35,301,211		86,039,792
Furniture and equipment	26,303,855	2,466,992		28,770,847
Drawing machines	559,845	-		559,845
Miscellaneous equipment	6,878,499	2,024,310	(39,792,513)	(30,889,705)
Assets in store	37,999,424	26,796,137	(4,648,178)	60,147,384
Constructions in progress	24,070,724	24,140,407	(4,339)	48,206,791
	<u>201,901,462</u>	<u>95,377,234</u>	<u>(44,445,031)</u>	<u>318,158,671</u>
<u>DEPRECIATION</u>				
Buildings	16,787,728	6,041,490	-	22,829,219
Motor vehicles	38,931,730	10,165,657	-	49,097,387
Furniture and equipment	13,416,394	1,817,822	-	15,234,216
Drawing machines	559,844	-	-	559,844
Miscellaneous equipment	2,431,847	388,552	-	2,820,399
	<u>72,127,544</u>	<u>18,413,521</u>	-	<u>90,541,065</u>
NET BOOK VALUE	<u>141,699,690</u>			<u>227,617,607</u>

10 STOCK

	Birr	2022 Birr
Printed tickets	30,641,079	37,905,013
General stores	6,640,870	14,593,787
Advertising materials	<u>154,290</u>	<u>520,615</u>
	<u>37,436,239</u>	<u>53,019,415</u>
Goods in transit	11,887,864	0
	<u>49,324,103</u>	<u>53,019,415</u>



NATIONAL LOTTERY ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS (continued)

11 DEBTORS

	Birr.	2022 Birr
Trade debtors	39,523,643	6,220,654
Staff receivables	32,125,779	27,734,247
Deposits and prepayments	13,671,105	10,286,466
Leatter of credit	6,689,103	-
Sundry receivables	<u>1,793,325</u>	<u>1,715,979</u>
	93,802,955	45,957,346
Less: Provision for doubtful debts	<u>(21,683,501)</u>	<u>(9,179,260)</u>
	<u>72,119,455</u>	<u>36,778,086</u>

12 RESERVE

The reserve may be used only for the settlement of prize winners claims in the event of a cash shortage.

13 CONTRIBUTIONS

Contributions were given freely and unconditionally.

14 MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

	Birr	2022 Birr
Balance at 7 July 2022	267,361,212	206,557,710
Profit for the year	564,151,926	331,344,805
Transferred from prize payable	<u>100,000,000</u>	=
	931,513,138	537,902,515
Less: Payments during the year	(363,938,307)	(180,353,062)
Accrued for 8 April -7 July,2023	<u>(44,825,596)</u>	<u>(90,188,241)</u>
	<u>522,749,235</u>	<u>267,361,212</u>



NATIONAL LOTTERY ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS (continued)

15 CREDITORS

	Birr	2022 Birr
Taxes	41,002,966	16,148,378
Trade	-	174,240
Accruals	60,566,656	95,077,261
Retention	5,307,915	5,821,962
Fund in Diposit	1,419,405	1,422,820
Sundry	<u>10,840,830</u>	<u>2,337,887</u>
	<u>119,137,772</u>	<u>120,982,548</u>

16 PRIZES PAYABLE

		2022 Birr
Instant lottery	8,921,935	79,985,834
Special draws	28,404,600	29,332,206
Tombola	30,085,076	22,522,726
Regular draws	8,175,614	-
Bingo	47,540,694	59,572,528
Tinsae	17,527,252	9,293,036
Prize pyable ESD,Enkutatash		
,Edil,tinsae	10,571,510	9,517,607
Admas	<u>7,103,000</u>	
	<u>158,329,679</u>	<u>210,223,937</u>

17 RETIREMENT BENEFIT OBLIGATIONS

The Administration makes contributions to a statutory defined pension scheme. The employer and the employee make contributions of 11% and 7% of the employee's basic salary as determined by statute.



NATIONAL LOTTERY ADMINISTRATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 INCORPORATION

The Administration is registered by Ministry of Trade and Regional Intergation on 8 Hamle 2015 to get its trade licence by the name of Ethiopian Lottery Service with a capital of Birr 471,642,792 and the type of activities to be engaged are:

- a) Financial intermidiation, Insurance, Real estate and Business services and
- b) Community, Social and Personal services.

19 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Ethiopian Birr.

21 COMPARATIVE FIGURES

In order to facilitate some of the previous year figures have been re-arranged in these accounts.

22 DATE OF AUTHORIZATION

The Administration's Director General authorized the issue of these financial statements on 3 January 2025.

