



REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF TRINIDAD AND TOBAGO ON THE FINANCIAL STATEMENTS OF THE NATIONAL LOTTERIES CONTROL BOARD FOR THE YEAR ENDED 30TH SEPTEMBER, 2011

The accompanying Financial Statements of the National Lotteries Control Board for the year ended 30th September, 2011 have been audited. The Statements comprise a Balance Sheet as at 30th September 2011, a Statement of Income and Expenditure, a Statement of Cash Flows and a Statement of Changes in Equity for the year ended 30th September, 2011 and Notes to the Financial Statements numbered 1 to 13.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2. The management of the National Lotteries Control Board (the Board) is responsible for the preparation and fair presentation of these Financial Statements in accordance with International Financial Reporting Standards, 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.

AUDITOR'S RESPONSIBILITY

3. The Auditor General's responsibility is to express an opinion on these Financial Statements based on the audit. The audit was carried out in accordance with section 116 of the Constitution of the Republic of Trinidad and Tobago and Section 25(2) of the National Lotteries Act, Chapter 21:04 (the Act). The audit was conducted in accordance with auditing standards which require that ethical requirements be complied with and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. The Auditor General's responsibility is to express an opinion on these Financial Statements based on conducting the audit in accordance with auditing standards. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, sufficient appropriate audit evidence was not obtained to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

5. Bank reconciliation statements did not agree with the general ledger. Pertinent source documents and explanations were not provided for audit. The figures shown for Intangible assets, Inventory, Accounts receivable and other assets, Cash and cash equivalent, Capital reserve, Building reserve fund, Furniture reserve fund, Sport and Culture Fund, Consolidated fund reserve, Deferred capital grants, Accounts payable and accruals, Unclaimed Prizes and Provisions were thus not verified.

DISCLAIMER OF OPINION

6. Based on the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Accordingly, I do not express an opinion on the Financial Statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

7.1 Section 23A and 29 (1) of the Act states,:

Section 23A:

“Notwithstanding anything contained in section 21 or section 23 the instant lottery surplus shall be paid into the Sport and Culture Fund established by section 3 of the Sport and Culture Fund Act.”

Section 29 (1):

“All moneys in respect of the winnings in any national lottery that remain unpaid to the winner thereof at the end of one year after the declaration of the results of such lottery shall be paid over to the Treasury by the Board.”

7.2 It was observed that both Sport and Culture Fund and Consolidated Fund Reserve are accounted for under Equity. The monies held in these accounts belong to the Sport and Culture Fund and Comptroller of Accounts and should not form part of equity.

SUBMISSION OF REPORT

8. This Report is being submitted to the Speaker of the House of Representatives, the President of the Senate and the Minister of Finance in accordance with the requirements of sections 116 and 119 of the Constitution of the Republic of Trinidad and Tobago.



5TH OCTOBER, 2015
PORT-OF-SPAIN

MAJEED ALI
AUDITOR GENERAL

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20151005

REVISED

NATIONAL LOTTERIES CONTROL BOARD

Financial Statements

For the year ended 30th September 2011

NATIONAL LOTTERIES CONTROL BOARD

Financial Statements for the year ended 30th September 2011

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NATIONAL LOTTERIES CONTROL BOARD
Balance Sheet as at September 30, 2011

	Notes	2011	2010
Assets			
Non-current assets			
Property, plant and equipment	3	38,923,315	39,498,200
Intangible assets	4	217,842	426,325
		<u>39,141,157</u>	<u>39,924,525</u>
Current assets			
Deferred Expenses		17,085,005	29,698,776
Inventory	5	825,720	3,745,258
Accounts receivable and other assets		27,488,620	42,195,718
Cash and cash equivalents	6	200,027,842	196,346,839
		<u>245,427,188</u>	<u>271,986,591</u>
Total assets		<u><u>284,568,345</u></u>	<u><u>311,911,116</u></u>
Equity			
Capital Reserve		0.00	49,221,071
Agent fund reserve		5,452,855	4,861,461
Building Reserve Fund		40,000,000	40,000,000
Furniture Reserve Fund		5,000,000	5,000,000
Sport and culture fund (deficit)		(10,417,040)	(7,836,453)
Consolidated fund reserve		122,326,644	118,916,465
		<u>162,362,457</u>	<u>210,162,544</u>
Non-current liabilities			
Deferred capital grants	7	38,869,570	0.00
		<u>38,869,570</u>	<u>0.00</u>
Current liabilities			
Accounts payable and Accruals		20,002,810	30,413,679
Comptroller of Accounts Unclaimed Prizes		24,936,891	22,525,429
Unclaimed Prizes - Other		13,508,595	7,799,342
Unclaimed Prizes - Instant		16,473,580	29,260,122
Provisions		8,414,442	11,750,000
		<u>83,336,318</u>	<u>101,748,572</u>
Total liabilities		<u>122,205,888</u>	<u>101,748,572</u>
Total liabilities and equity		<u><u>284,568,345</u></u>	<u><u>311,911,116</u></u>



The notes on pages 6 to 13 form part of these financial statements.

The National Lotteries Control Board has approved these financial statements for issue.

Director: 
 2011/03/24

Chairman: 
 11/4/11

NATIONAL LOTTERIES CONTROL BOARD
Statement of Income and Expenditure
for the year ended September 30, 2011

	Notes	2011	2010
Income			
Sales		1,746,380,827	1,555,878,521
Expenditure			
Gaming operating costs		1,491,838,108	1,311,901,360
Administration expenses		<u>40,305,231</u>	<u>38,717,273</u>
		1,532,143,339	1,350,618,633
Surplus from gaming operations		<u>214,237,488</u>	<u>205,259,888</u>
Investment and other income		4,707,213	5,773,125
Surplus before finance charges		218,944,701	211,033,013
Finance charges		0.00	0.00
Prior Period Adjustment		672,975	719,316
Net surplus for the period		<u>218,271,726</u>	<u>210,313,697</u>

The notes on pages 6 to 13 form part of these financial statements.

NATIONAL LOTTERIES CONTROL BOARD
Statement of Cash Flows
for the year ended September 30, 2011

	2011	2010
	Notes	
Cash flows from operating activities		
Net surplus for the period	218,271,726	210,313,697
Depreciation	735,276	565,000
Amortisation	59,050	0.00
(Profit)/ loss on disposal of property, plant and equipment	(1,963)	0.00
Depreciation Income	(794,326)	(565,000)
Deferred Expense	12,613,771	(8,648,726)
Interest income	<u>604,083</u>	<u>(2,018,282)</u>
Operating surplus before working capital changes	231,487,617	199,646,689
(Increase)/ decrease in accounts receivable and other assets	14,707,098	(9,581,685)
(Increase)/ decrease in inventory	2,919,538	1,972,462
(Decrease) /increase in accounts payable and other liabilities	<u>(17,010,165)</u>	<u>19,041,693</u>
Cash flows from operations	232,104,088	211,079,159
Interest paid	0.00	0.00
Net cash flows from operating activities	<u>232,104,088</u>	<u>211,079,159</u>
Cash flows from investing activities		
Interest received	(604,083)	2,018,282
Proceeds from disposal of property, plant and equipment	30	0.00
Purchase of software & licenses	(50,226)	(123,432)
Purchase of property, plant and equipment	<u>(360,200)</u>	<u>(1,584,778)</u>
Net cash flows from investing activities	<u>(1,014,479)</u>	<u>310,072</u>
Cash flows from financing activities		
Agent Reserve Fund	591,394	488,767
Distributions to the sport and culture fund	(3,000,000)	(1,500,000)
Distributions to the consolidated fund	<u>(225,000,000)</u>	<u>(205,000,000)</u>
Net cash flows from financing activities	<u>(227,408,606)</u>	<u>(206,011,233)</u>
Net increase in cash and cash equivalents	3,681,003	5,377,998
Cash and cash equivalents at the beginning of the period	<u>196,346,839</u>	<u>190,968,841</u>
Cash and cash equivalents at the end of the period	<u>200,027,842</u>	<u>196,346,839</u>

The notes on pages 6 to 13 form part of these financial statements.

NATIONAL LOTTERIES CONTROL BOARD
Statement of Changes in Equity
for the year ended September 30, 2011

	Consolidated fund reserve	Sport and culture fund (deficit)	Agent fund reserve	Capital reserve	TOTAL
As at September 30, 2009	70,283,638	(10,735,761)	4,372,694	0.00	63,920,571
Surplus for the year	205,914,389	4,399,308	0.00	0.00	210,313,697
Financial Statement Reversal	47,718,439	0.00	0.00	0.00	47,718,439
Movement of reserves	0.00	0.00	488,766	49,221,072	49,709,838
Distributions					
Direct to the Treasury	(205,000,000)	0.00	0.00	0.00	(205,000,000)
Direct to the Sport and Culture Fund	0.00	(1,500,000)	0.00	0.00	(1,500,000)
As at September 30, 2010	118,916,466	(7,836,453)	4,861,460	49,221,072	165,162,545
Surplus for the year	217,852,313	419,413	0.00	0.00	218,271,726
Movement of reserves	10,557,865	0.00	591,394	(49,221,072)	(38,071,814)
Distributions					
Direct to the Treasury	(225,000,000)	0.00	0.00	0.00	(225,000,000)
Direct to the Sport and Culture Fund	0.00	(3,000,000)	0.00	0.00	(3,000,000)
As at September 30, 2011	122,326,644	(10,417,040)	5,452,854	0.00	117,362,457

The notes on pages 6 to 13 form part of these financial statements.

**NATIONAL LOTTERIES CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER, 2011**

1. Principal Activities

The National Lotteries Control Board (the Board) was established by Act No. 22 of 1968 for the promotion and conduct of national lotteries in the Republic of Trinidad and Tobago. Pursuant to Act No. 31 of 1988, the Instant Money Game was launched the surplus from which is paid into the Sport and Culture Fund. In March 1994 the National Lotteries Regulations were amended for the operation of on-line games. The games launched in July 1994 are Lotto played twice per week (now replaced by the LottoPlus) and PlayWhe drawn twice daily. Two additional games, namely Pick Two and Donsai, were launched in June 1996 and August 1997 respectively. The online game Cashpot, was launched in October, 1999. The surplus from the on-line games are paid into the Consolidated Fund of the Government of the Republic of Trinidad and Tobago. During 1995 the Board launched its commercial services offering using the *Via* brand.

2. Significant Accounting Policies

a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared on a going concern basis and the policies have been applied consistently throughout the period. The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

b) Presentation currency

These financial statements are presented in Trinidad and Tobago dollars which is the Board's functional and presentation currency.

c) Government grants

The Government of the Republic of Trinidad and Tobago provides grants to the Board in respect of capital expenditure to be incurred in support of the Board's objectives. These grants are normally effected by means of a deduction from the surplus generated by the Board's gaming activities and are recognised as deferred income at the time of approval of the grant by the Government of the Republic of Trinidad and Tobago. The depreciation charged on the items of capital expenditure which have been financed by these grants is matched by an identical amount of grant income which is released from the deferred income account and recognised as income in the statement of income and expenditure.

d) Revenue recognition

i) Instant money games

Sales of the Board's instant "scratch" games are made to the public through independently contracted agents. These agents have no right of return of unsold games once they have accepted delivery of these games for resale. The Board recognises revenue on the sale of these tickets when the tickets are sold to the agents.

ii) Online games

Income from online wagers is recognised at the time the particular games are drawn. Until such time all deferred revenue is recorded as creditors.

iii) Investment income

Interest income is recognised on a time-proportion basis using the effective interest method.

**NATIONAL LOTTERIES CONTROL BOARD
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30TH SEPTEMBER, 2011
 (Continued)**

e) Foreign currency transactions

Transactions denominated in currencies other than Trinidad and Tobago dollars are recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities are translated into Trinidad and Tobago dollars at the exchange rate at the year end. Exchange gains and losses arising are reflected in the statement of income and expenditure.

f) Property plant and equipment

Property plant and equipment are initially recorded at cost and thereafter stated at historic cost less depreciation. Historic cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent cost is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Board and the cost of the asset can be measured reliably. Land is not depreciated. Depreciation is calculated using the straight line method to allocate cost over the asset's estimated economic life. The following rates are used.

Freehold buildings and Improvements	3%
Motor Vehicles	20%
Computer Equipment	33 ⅓%
Furniture and Fixtures	10%
Equipment	20%

g) Inventory

Inventory comprises tickets for the instant money games as well as unsold bus tickets. Included in the inventory can be unsold tickets for games currently on the market as well as tickets for games that are yet to be released to the public. Ticket inventories are stated at actual cost. In respect of the instant lottery, when the Board announces the closure of a game unsold tickets are charged to operating costs in the financial year in which the game ends.

h) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks, as well as money market mutual fund investments and other short-term highly liquid investments with original maturities of three months or less.

i) Provisions

Provisions are recognised when the firm has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and, a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses.

j) Intangible assets

Rights to the use of software, which have been purchased, are amortised at the rate of 20% per annum using the straight line method.

NATIONAL LOTTERIES CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER, 2011
(Continued)

3. Property, Plant and Equipment

Cost	Land and Buildings	Motor Vehicles	Computer Equipment	Furniture & Fixtures	Equipment	O/Equipment	Total
Balance as at							
1st October 2010	41,448,157	571,600	1,993,539	1,382,311	1,802,100	1,158,599	48,356,306
Additions	0.00	0.00	86,762	106,118	159,051	8,269	360,200
Disposals	0.00	0.00	0.00	(40,288)	(3,875)	0.00	(44,163)
Adjustments	21,354.67	0.00	(124,638)	1,270	(19,646)	76,741	(44,918)
Balance as at 30th September 2011	41,469,512	571,600	1,955,663	1,449,411	1,937,631	1,243,609	48,627,426
Accumulated Depreciation							
Balance as at 1st October 2010	3,887,898	183,700	1,408,630	1,085,730	1,465,134	827,016	8,858,108
Current Charge	240,592	86,200	138,541	115,224.00	79,413	75,306	735,276
Disposals	0.00	0.00	0.00	(40,288)	(3,473)	0.00	(43,761)
Adjustments	(274,596)	86,200	73,709	101,126	(15,194)	183,242	154,487
Balance as at 30th September 2011	3,853,894	356,100	1,620,880	1,261,792	1,525,881	1,085,564	9,704,111
Carrying Amount							
30th September 2010	<u>37,560,259</u>	<u>387,900</u>	<u>584,909</u>	<u>296,581</u>	<u>336,966</u>	<u>331,583</u>	<u>39,498,198</u>
Carrying Amount							
30th September 2011	<u>37,615,618</u>	<u>215,500</u>	<u>334,783</u>	<u>187,619</u>	<u>411,751</u>	<u>158,045</u>	<u>38,923,316</u>

**NATIONAL LOTTERIES CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER, 2011
(Continued)**

	2011	2010
	\$	\$
4. Intangible Assets		
Cost		
At beginning of year	1,727,423	1,603,991
Additions	<u>50,226</u>	<u>123,432</u>
At end of year	<u>1,777,649</u>	<u>1,727,423</u>
Accumulated amortisation		
At beginning of year	1,301,098	1,301,098
Adjustment	199,658	0.00
Current charge	<u>59,050</u>	<u>0.00</u>
At end of year	<u>1,559,806</u>	<u>1,301,098</u>
Net book value	<u>217,842</u>	<u>426,325</u>

The current charge in respect of the amortisation of intangible assets is included within administration expenses in the statement of income and expenditure.

	2011	2010
	\$	\$
5. Inventory		
Traditional stock	0.00	683,698
Ticket stock – instant lottery	630,606	2,903,647
Bus ticket stock	<u>195,114</u>	<u>157,914</u>
	<u>825,720</u>	<u>3,745,259</u>

	2011	2010
	\$	\$
6. Cash and Cash Equivalents		
Cash in hand	77,480	78,379
Cash at bank	179,262,727	129,642,800
Mutual fund investment	<u>20,687,635</u>	<u>66,625,661</u>
	<u>200,027,842</u>	<u>196,346,839</u>

**NATIONAL LOTTERIES CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER, 2011
(Continued)**

	2011	2010
7. Deferred Capital Grants	\$	\$
Monetary grants brought forward	0.00	83,552,938
Adjustment	39,297,633	(83,552,938)
Grants received during the year		
For the purchase of:		
Intangible assets	50,226	0.00
Property, plant and equipment	360,200	0.00
Other	<u>0.00</u>	<u>0.00</u>
	410,426	0.00
Less disposals	(44,163)	0.00
Grants recognised in the income statement		
Depreciation	(735,276)	0.00
Amortisation	<u>(59,050)</u>	<u>0.00</u>
	(794,326)	0.00
Monetary grants carried forward	<u>38,869,570</u>	<u>0.00</u>
These deferred capital grants are represented by the following:		
Intangible assets	217,842	0.00
Property, plant and equipment	<u>38,923,315</u>	<u>0.00</u>
	<u>39,141,157</u>	0.00

These deferred capital grants are comprised entirely of monetary grants made to the Board by the Government of the Republic of Trinidad and Tobago. The grants which were received for the current year are in respect of the purchase of software licenses, land, building improvements as well as other items of plant and equipment.

**NATIONAL LOTTERIES CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER, 2011
(Continued)**

8. Agent Fund Reserve

The Board charges and collects from the on-line agents certain contributions which are intended to be used to provide relief to on-line agents who have experienced unfortunate events such as robbery. Payment of claims made by agents is subject to the sole discretion of the Board who shall determine the merit of each claim individually. The excess of this income over any claims expense reported in the current period are transferred to the agent fund reserve.

9. Segment Reporting

	2011			2010
	\$			\$
	Instant Lottery	Online Lottery	Total	Total
Revenue	118,401,200	1,627,979,627	1,746,380,827	1,555,888,621
Gaming cost	115,160,420	1,376,677,688	1,491,838,108	1,311,901,360
Administrative cost	<u>2,821,366</u>	<u>37,483,865</u>	<u>40,305,231</u>	<u>38,717,273</u>
	117,981,787	1,414,161,552	1,532,143,339	1,350,618,633
Surplus from gaming operations	<u>419,413</u>	<u>213,818,075</u>	<u>214,237,488</u>	<u>205,259,888</u>

The Board's operating segments are defined based upon the statutory distinction between the purpose of the instant lottery and the purpose of the other lotteries. The surplus from the instant lottery is for the benefit of the Sport and Culture fund whereas the surplus from the other lotteries is transferred to the Consolidated Fund of the Government of the Republic of Trinidad and Tobago. Though not included above, the Board derives a much smaller portion of its operating income from the provision of bill payments and other commercial service offerings.

In respect of the on-line lottery, the Board is obliged by statute to honour winning tickets up to 6 months after the draw at which the ticket is declared to be the winning ticket. At the end of this period, the Board is obliged to transfer to the Treasury (Comptroller of Accounts) all unclaimed winnings.

**NATIONAL LOTTERIES CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER, 2011
(Continued)**

10. Contingent Liabilities (Instant lottery)

Owing to the nature of games of chance the Board may conduct a particular game but at the balance sheet date its obligation in respect of prizes allotted to that game may not have crystallized. At the planning stage of a game the quantum of prizes is determined by the Board. The Board's contingent liability is computed to be the quantum of unclaimed prizes in respect of games put into circulation, in so far as the unclaimed prize monies have not been paid over to the Sport and Culture Fund by the Board. Unclaimed prizes are transferred to the Sport and Culture Fund when 6 months have elapsed since the closure of the game.

11. Financial Risk Management

i) Credit Risk

The Board has executed agreements with its agents as well as instituted policies and procedures to ensure that monies are collected on a timely basis from its agents. On this basis, the Board's exposure to this risk is not significant and is managed on an on-going basis. The Board also has an exposure in respect of its substantial money market mutual fund investment and will continue to monitor this investment.

ii) Liquidity Risk

Punters are required to make their wagers at lottery agents in cash only at the time of purchasing lottery tickets. As a result the Board is of the opinion that this sales policy shall help to ensure that it has sufficient cash and short-term funds to meet the demands of required prize money payouts. In addition because of the particular prize structure of the Board's Play Whe game the ultimate prize payout consequent on any particular draw cannot be foreseen. It is possible for the prize payout arising from any particular draw to exceed the aggregate amount of wagers actually received. In the long run though the aggregate amount of wagers is expected to, and does exceed, the aggregate prize payout in a manner that is anticipated by the Board.

iii) Interest Rate Risk

The Board currently has no long term interest bearing debt and maintains the majority of its financial resources in short term bank deposits and money market mutual fund investments as stated previously. This policy significantly reduces its exposure to any interest rate risk.

iv) Currency Risk

The Board conducts its games of chance within the Republic of Trinidad and Tobago only and receives all its income and pays all prizes, staff costs and the majority of its expenses in Trinidad and Tobago dollars. A small part of its expenses are denominated in the currency of the United States of America, arising principally from the need to print the tickets for its instant money ('scratch') games, and in that regard the Board is exposed to some foreign exchange risk.

**NATIONAL LOTTERIES CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER, 2011
(Continued)**

	2011	2010
12. Staff Costs	\$	\$
Members of the Board	330,000	346,500
Other staff cost	<u>9,274,156</u>	<u>8,266,653</u>
	<u>9,604,156</u>	<u>8,613,153</u>

The Board employed 84 employees as of 30th September, 2011 (97 employees as of 30th September, 2010). Only employees appointed by the Statutory Authorities Service Commission are entitled to a pension on retirement. Neither the Board nor the employees are obliged to make pension contributions toward employee pensions. These pensions are not obligations of the Board and are entirely due to the employees by the Statutory Authorities Service Commission and settled by the Government Comptroller of Accounts. No provision has been made in these financial statements for pension obligations.

- 13. Taxation**
No provision has been made in these financial statements for tax liabilities.