



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, 2012

The accompanying Financial Statements of the National Lotteries Control Board for the year ended 30th September 2012 have been audited. The Statements comprise a Balance Sheet as at 30th September, 2012, a Statement of Income and Expenditure, a Statement of Cash Flows and a Statement of Changes in Equity for the year ended 30th September, 2012 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. 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.

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 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, and Unclaimed Prizes 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

REVISED

NATIONAL LOTTERIES CONTROL BOARD

Financial Statements

For the year ended 30th September 2012

NATIONAL LOTTERIES CONTROL BOARD

Financial Statements for the year ended 30th September 2012

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NATIONAL LOTTERIES CONTROL BOARD
Balance Sheet as at September 30, 2012

	Notes	2012	2011
Assets			
Non-current assets			
Property, plant and equipment	3	39,428,148	38,923,315
Intangible assets	4	<u>418,030</u>	<u>217,842</u>
		39,846,178	39,141,157
Current assets			
Deferred Expenses		30,013,867	17,085,005
Inventory	5	6,578,677	825,720
Accounts receivable and other assets		14,835,623	27,488,620
Cash and cash equivalents	6	<u>196,505,888</u>	<u>200,027,842</u>
		247,934,056	245,427,188
Total assets		<u>287,780,234</u>	<u>284,568,345</u>
Equity			
Capital Reserve		(0)	(0)
Agent fund reserve		6,065,464	5,452,855
Building Reserve Fund		40,000,000	40,000,000
Furniture Reserve Fund		5,000,000	5,000,000
Sport and culture fund (deficit)		(12,569,829)	(10,417,040)
Consolidated fund reserve		<u>122,949,032</u>	<u>122,326,644</u>
		161,444,667	162,362,457
Non-current liabilities			
Deferred capital grants	7	<u>39,567,925</u>	<u>38,869,570</u>
		39,567,925	38,869,570
Current liabilities			
Accounts payable and Accruals		15,484,600	20,002,810
Comptroller of Accounts Unclaimed Prizes		28,538,299	24,936,891
Unclaimed Prizes - Other		13,376,003	13,508,595
Unclaimed Prizes - Instant		29,368,740	16,473,580
Provisions		<u>0.00</u>	<u>8,414,442</u>
		86,767,642	83,336,318
Total liabilities		126,335,567	122,205,888
Total liabilities and equity		<u>287,780,234</u>	<u>284,568,345</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: *Camille J. [Signature]*
 20/4/03/24

Chairman: *[Signature]*
 11/4/14

NATIONAL LOTTERIES CONTROL BOARD
Statement of Income and Expenditure
for the year ended September 30, 2012

2012

2011

Notes

Income

Sales 1,842,979,160 1,746,380,827

Expenditure

Gaming operating costs 1,553,634,239 1,491,838,108

Administration expenses 51,978,081 40,305,231

1,605,612,320 1,532,143,339

Surplus from gaming operations 237,366,840 214,237,488

Investment and other income 4,517,345 4,707,213

Surplus before finance charges 241,884,185 218,944,701

Prior Period Adjustment 4,538,697 (672,975)

Net surplus for the period 246,422,882 218,271,726

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, 2012

	Notes	2012	2011
Cash flows from operating activities			
Net surplus for the period		246,422,882	218,271,726
Depreciation		707,630	735,276
Amortisation		62,951	59,050
(Profit)/ loss on disposal of property, plant and equipment		2,615	(1,963)
Depreciation Income		(770,581)	(794,326)
Deferred Expense		(12,928,862)	12,613,771
Interest income		<u>400,992</u>	<u>604,083</u>
Operating surplus before working capital changes		<u>233,897,627</u>	<u>231,487,617</u>
(Increase)/ decrease in accounts receivable and other assets		12,652,997	14,707,098
(Increase)/ decrease in inventory		(5,752,957)	2,919,538
(Decrease) /increase in accounts payable and other liabilities		<u>3,431,323</u>	<u>(17,010,165)</u>
Cash flows from operations		<u>244,228,990</u>	<u>232,104,088</u>
Interest paid		<u>0.00</u>	<u>0.00</u>
Net cash flows from operating activities		<u>244,228,990</u>	<u>232,104,088</u>
Cash flows from investing activities			
Interest received		(400,992)	(604,083)
Proceeds from disposal of property, plant and equipment		10,078	30
Purchase of software & licenses		(263,138)	(50,226)
Purchase of property, plant and equipment		<u>(1,225,156)</u>	<u>(360,200)</u>
Net cash flows from investing activities		<u>(1,879,208)</u>	<u>(1,014,479)</u>
Cash flows from financing activities			
Agent Reserve Fund		612,609	591,394
Distributions to the sport and culture fund		(10,689,065)	(3,000,000)
Distributions to the consolidated fund		<u>(235,795,279)</u>	<u>(225,000,000)</u>
Net cash flows from financing activities		<u>(245,871,735)</u>	<u>(227,408,606)</u>
Net increase in cash and cash equivalents		(3,521,954)	3,681,003
Cash and cash equivalents at the beginning of the period	6	<u>200,027,842</u>	<u>196,346,839</u>
Cash and cash equivalents at the end of the period		<u>196,505,888</u>	<u>200,027,842</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, 2012

	Consolidated fund reserve	Sport and culture Fund (deficit)	Agent Fund reserve	Capital reserve	TOTAL
As at September 30, 2010	<u>118,916,466</u>	<u>(7,836,453)</u>	<u>4,861,460</u>	<u>49,221,072</u>	<u>165,162,545</u>
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	<u>122,326,644</u>	<u>(10,417,040)</u>	<u>5,452,854</u>	<u>0.00</u>	<u>117,362,457</u>
Surplus for the year	237,886,606	8,536,276		0.00	246,422,882
Movement of reserves	(1,468,938)		612,609	0.00	(856,329)
Distributions					
Direct to the Treasury	(235,795,279)			0.00	(235,795,279)
Direct to the Sport and Culture Fund		(10,689,065)		0.00	(10,689,065)
As at September 30, 2012	<u>122,949,032</u>	<u>(12,569,829)</u>	<u>6,065,463</u>	<u>0.00</u>	<u>116,444,666</u>

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, 2012**

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 three times 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, 2012
 (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, 2012
(Continued)**

3. Property, Plant and Equipment

	Land and Buildings	Motor Vehicles	Computer Equipment	Furniture & Fixtures	Equipment	O/Equipment	Total
Cost							
Balance as at							
1st October 2011	41,469,512	571,600	1,955,663	1,449,411	1,937,631	1,243,609	48,627,426
Additions	16,795.00	0.00	372,912	65,562	752,620	17,267	1,225,156
Disposals	0.00	0.00	0.00	(3,492)	(15,866)	0.00	(19,358)
Balance as at 30th September 2012	<u>41,486,307</u>	<u>571,600</u>	<u>2,328,575</u>	<u>1,511,481</u>	<u>2,674,385</u>	<u>1,260,876</u>	<u>49,833,224</u>
Accumulated Depreciation							
Balance as at							
1st October, 2011	3,853,894	356,100	1,620,880	1,261,792	1,525,881	1,085,564	9,704,111
Current Charge	240,780	86,200	137,432	40,064.00	121,979	81,175	707,630
Disposals	0.00	0.00	0.00	(3,492)	(3,173)	0.00	(6,665)
Balance as at 30th September, 2012	<u>4,094,674</u>	<u>442,300</u>	<u>1,758,312</u>	<u>1,298,364</u>	<u>1,644,687</u>	<u>1,166,739</u>	<u>10,405,076</u>
Carrying Amount							
30th September, 2011	<u>37,615,618</u>	<u>215,500</u>	<u>334,783</u>	<u>187,619</u>	<u>411,750</u>	<u>158,045</u>	<u>38,923,315</u>
Carrying Amount							
30th September, 2012	<u>37,391,633</u>	<u>129,300</u>	<u>570,263</u>	<u>213,117</u>	<u>1,029,698</u>	<u>94,137</u>	<u>39,428,148</u>

**NATIONAL LOTTERIES CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER, 2012
(Continued)**

	2012	2011
	\$	\$
4. Intangible Assets		
Cost		
At beginning of year	1,777,648	1,727,423
Additions	<u>263,138</u>	<u>50,226</u>
At end of year	<u>2,040,786</u>	<u>1,777,649</u>
Accumulated amortisation		
At beginning of year	1,559,806	1,301,098
Current charge	62,951	59,050
Adjustment	0.00	199,658
At end of year	<u>1,627,757</u>	<u>1,559,806</u>
Net book value	<u>418,029</u>	<u>217,842</u>

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

	2012	2011
	\$	\$
5. Inventory		
Ticket stock – instant lottery	6,291,772	630,606
Bus ticket stock	<u>286,905</u>	<u>195,114</u>
	<u>6,578,677</u>	<u>825,720</u>

	2012	2011
	\$	\$
6. Cash and Cash Equivalents		
Cash in hand	30,000	77,480
Cash at bank	175,425,834	179,262,727
Mutual fund investment	<u>21,050,055</u>	<u>20,687,635</u>
	<u>196,505,889</u>	<u>200,027,842</u>

**NATIONAL LOTTERIES CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER, 2012
(Continued)**

	2012	2011
7. Deferred Capital Grants	\$	\$
Monetary grants brought forward	38,869,570	39,297,633
The purchase of:		
Intangible assets	263,138	50,226
Property, plant and equipment	1,225,156	360,200
Other	<u>—</u>	<u>—</u>
	1,488,294	410,426
Less disposals	(19,358)	(44,163)
Grants recognised in the income statement		
Depreciation	(707,630)	(735,276)
Amortisation	<u>(62,951)</u>	<u>(59,050)</u>
	(770,581)	(794,326)
Monetary grants carried forward	<u>39,567,925</u>	<u>39,869,570</u>
These deferred capital grants are represented by the following:		
Intangible assets	418,030	217,842
Property, plant and equipment	<u>39,428,148</u>	<u>38,923,316</u>
	39,846,178	39,141,158
	<u>39,846,178</u>	<u>39,141,158</u>

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, 2012
(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

	2012			2011
	\$			\$
	Instant Lottery	Online Lotteries	Total	Total
Revenue	158,711,598	1,684,267,562	1,842,979,160	1,746,380,827
Gaming cost	146,536,952	1,407,097,287	1,553,634,239	1,491,838,108
Administrative cost	<u>3,638,371</u>	<u>48,338,354</u>	<u>51,976,725</u>	<u>40,189,803</u>
	150,175,323	1,455,435,641	1,605,610,964	1,532,027,911
Surplus from gaming operations	<u>8536,275</u>	<u>228,831,921</u>	<u>237,368,196</u>	<u>214,352,916</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 no included above, the Board derives a much smaller portion of its operating income from the provision of bill payment 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 was 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, 2012
(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 prizes 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, 2012
 (Continued)**

	2012	2011
12. Staff Costs	\$	\$
Members of the Board	330,000	330,000
Other staff cost	<u>7,943,439</u>	<u>9,274,156</u>
	<u>8,273,439</u>	<u>9,604,156</u>

The Board employed 83 employees as of 30th September, 2012 (84 employees as of 30th September, 2011). 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.