

Presented pursuant to section 25(1) of Horserace Betting and Olympic Lottery Act 2004

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# **Olympic Lottery Distribution Fund Account 2005–06**

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 29 JANUARY 2007

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Financial Statements for the year ending 31 March 2006

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## Management Commentary

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### Why the Olympic Lottery Distribution Fund (OLDF) was needed

London was chosen as the host city for the 2012 summer Olympic and Paralympic Games on 6 July 2005. Funding for the London 2012 Olympics will come from a variety of sources, with National Lottery proceeds providing £1,500million, half of which is expected to be raised by new Lottery games set up specifically for the purpose.

The OLDF was established to receive and hold the monies generated from the Lottery specifically for the 2012 Olympics and to pass them to the Olympic Lottery Distributor to fund any facilities, services or functions which the distributor considers are necessary or expedient to provide or undertake for the delivery of the 2012 Games. The balance held in the OLDF is invested by the Commissioners for the Reduction of the National Debt (CRND) and any investment proceeds added to the amount available to the Olympic Lottery Distributor.

The Fund came into legal existence on 8 April 2005 under the terms of the Horserace Betting and Olympic Lottery Act 2004 (Commencement No.2) Order 2005 (SI 2005/1134). The Fund was dormant until the announcement of the success of London as the host city for the 2012 games. The first receipt of monies into the OLDF was on 2 August 2005. The Fund will close once its primary purpose has been met and the Secretary of State makes the Order required under section 28 of the 2004 Act to wind up the Fund.

### Where the money comes from

The Horserace Betting and Olympic Lottery Act 2004 enabled National Lottery games to be established dedicated to raising funds for the 2012 London Olympic and Paralympic Games. Camelot Group plc holds the current licence issued by the National Lottery Commission to operate the National Lottery until 31 January 2009. The principal categories of income into the OLDF for the period to 31 March 2006 comprised:

- a proportion of Olympic Lottery ticket sales, as determined by the licence granted to Camelot Group plc;
- any prizes which are not claimed within 180 days of the draw date for the Olympic Lottery Game, or 180 days of the close of the Olympic Scratchcard or Interactive Instant Win games. These unclaimed prizes fall due to the OLDF after the 180 days; and
- interest on the Players Trust Fund, including the reclaim of tax deducted on interest received by the Players Trust Fund.

### Where the money goes

Monies drawn down from the Fund by the Olympic Lottery Distributor (OLD) are used to make grants or loans under section 30 of the 2004 Act. The distributor's main grant recipient will be the Olympic Delivery Authority (ODA), the body responsible for delivering the venues and supporting infrastructure for the 2012 Games.

### Financial Commentary

This is the first set of accounts of the OLDF, and covers the period 2 August 2005 to 31 March 2006. The primary financial statements and associated notes for the OLDF are set out in these accounts. £16m was raised by the Olympic Lottery in the eight months since the launch of the first Olympic scratchcard game. The Olympic Lottery Distributor drew down £33k for its own set-up and administration costs. Expenses incurred in operating the Fund (by the DCMS, the CRND and the National Lottery Commission) are, under regulations made by the Secretary of State using powers created by section 26 of the Act, to be met from the Fund. These expenses totalled £39k for the year. The balance on the Fund at 31 March 2006 is held in investments by the CRND as set out in Note 2 of the 2004-05 CRND accounts.

During 2005-06, prior to the establishment of the ODA as a corporate body, an “interim Olympic Delivery Authority” (iODA) was created within the London Development Agency (LDA) and was funded by a combination of LDA and TfL funding and Exchequer grant funding from DCMS.

Activities funded through iODA in 2005-06 included the initial design and development of projects that the ODA will look to the Olympic Lottery Distributor to fund. As disclosed in note 12, Post Balance Sheet Events, the OLD drew down £15m from the OLDF in August 2006 to rebalance the overall cash flow of ODA projects between the Olympic Lottery and other sources.

### **Governance of the Fund**

The Statement of Financial Requirements, issued by the Secretary of State for Culture, Media and Sport to the Olympic Lottery Distributor established a financial framework within which their Lottery distribution activities are to be conducted. As the Accounting Officer of the OLDF, I seek annual assurances from the Olympic Lottery Distributor’s Accounting Officer that adequate financial management systems and controls for the efficient, effective and equitable distribution of Lottery monies are in place. In particular, I expect the Accounting Officer to be satisfied that the body has: complied with its current Lottery financial directions; put adequate internal and external audit arrangements in place; established adequate arrangements for detecting and responding to inefficiency, conflict of interest and fraud and for minimising losses of Lottery grant, and maintains risk assessment and control procedures and risk registers.

I obtain independent confirmation of the reliability of the assurances provided by the Accounting Officer on the adequacy of the distributor’s systems from the work of the DCMS Government Olympic Executive and the Department’s Internal Audit Unit.

The Fund is maintained under the control and management of the Secretary of State for Culture, Media and Sport. Monies not immediately required for distribution are invested by the Commissioners for the Reduction of the National Debt (CRND), in accordance with Investment Directions issued by HM Treasury (under section 32 of the National Lottery etc. Act 1993).

Sound management of the OLDF plays a pivotal role in managing the flow of funds between Camelot and the Olympic Lottery Distributor. In managing the Fund, the Department works closely with the National Lottery Commission (NLC) which regulates the Lottery and ensures, among other things, that the operator makes the correct payments to the OLDF. In addition, the Department works with the Commissioners for the Reduction of the National Debt whose role is to invest the funds held in the OLDF, in accordance with directions issued by HM Treasury, until such time as they are required by the Olympic Lottery Distributor (OLD) to make grants or loans for the Olympic purposes set out in section 30 of the 2004 Act.

The OLDF is subject to an annual accounting process separate to that for the National Lottery Distribution Fund (NLDF). These accounts provide the primary accounting statements and notes required by the Horserace Betting and Olympic Lottery Act 2004 and the Accounts Direction given by HM Treasury. The Act requires that the accounts are examined and certified by the Comptroller and Auditor General and laid, together with his report thereon, before each House of Parliament.

### **Staffing and Organisation**

Members of Department for Culture, Media and Sport (DCMS) Government Olympic Executive (GOE), Finance and Planning Division and National Lottery Distribution and Communities Division were engaged part time on OLDF matters. Their staff costs are charged to the OLDF in proportion to the amount of time staff spend on OLDF duties.

During the financial year, the OLDF invested its funds with the Commissioners for the Reduction of the National Debt (CRND) whose operations are carried out by the UK Debt Management Office (DMO).

Both the DCMS and the DMO are equal opportunities employers, who do not discriminate against staff or eligible applicants for posts on the grounds of gender, marital status, race, colour, nationality, ethnic origin, religion, disability, age or sexual orientation.

### **The Euro**

DCMS has reviewed the possible impact of the introduction of the Euro. We expect no significant effects or costs on maintaining OLDF systems should the Euro be introduced.

### **Disclosure of Relevant Audit Information**

As far as I am aware there is no relevant audit information of which the Fund's auditors are unaware, and I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Fund's auditors are aware of that information.

### **Important Events which have occurred since the financial year end**

The Government Olympic Executive (GOE) was established in May 2006 from the former Olympic Games Unit. GOE remains part of DCMS, and I have been appointed its Chief Executive. I have also been appointed as an additional DCMS Accounting Officer, and as such I have specific accountability to Parliament for the Olympics, for Sport and for the Olympic Lottery Distribution Fund. I am also responsible for the sponsorship of the Olympic Lottery Distributor, the Olympic Delivery Authority, the London Organising Committee of the Olympic Games (LOCOG), and Sport England and UK Sport, and for the organisation, management, staffing, financial and other procedures in GOE, Sports Directorate, the Olympic Programme Support Unit and for any advice to Ministers from these units.

10 January 2007

### **Jeff Jacobs**

Chief Executive and Accounting Officer  
Government Olympic Executive

## Remuneration Report

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### REMUNERATION POLICY

Administration of the Olympic Lottery Distribution Fund (OLDF) is undertaken on a part-time basis by a small number of officials in the Department for Culture, Media and Sport (DCMS), whose costs are reimbursed by the OLDF. DCMS does not recharge the OLDF for the remuneration costs of Departmental Ministers or the DCMS Board.

Management and control of the OLDF is vested in the Secretary of State for Culture, Media and Sport. Remuneration information for DCMS Ministers and Board may be found in the Remuneration Report of the DCMS Resource Accounts 2005-06 which is available on the DCMS website at [www.culture.gov.uk](http://www.culture.gov.uk).

The Ministers who had responsibility for the Department during the year were:–

Rt Hon Tessa Jowell MP	Secretary of State
Rt Hon Estelle Morris MP (to 9 May 2005)	Minister for the Arts
Rt Hon Richard Caborn MP	Minister of State for Sport
David Lammy MP (from 10 May 2005)	Minister for Culture
Rt Hon Lord McIntosh of Haringey (to 9 May 2005)	Minister for Media and Heritage
James Purnell MP (from 10 May 2005)	Minister for Media and Tourism

The Permanent Secretary and members of the DCMS Board during 2005-06 were:

Sue Street	Permanent Secretary and Accounting Officer
Jeff Jacobs	Director General (Children, Young People and Communities)
Nicholas Holgate	Chief Operating Officer
Andrew Ramsay	Director General (Economic Impact)
Paul Bolt (to 10/07/2005)	Director (Olympics and Modernisation)
Alan Davey	Director (Arts and Culture)
Paddy Feeny (from 18/06/2005)	Director (Strategic Communications)
Siobhan Kenny (to 17/06/ 2005)	Director (Strategic Communications)
Andrew Lean (from 03/01/2006)	Director Olympics
Isabel Letwin	Director (Legal)
Brian Leonard	Director (Industry)
Nicky Roche	Director (Sport)
David Roe (from 11/07/2005)	Director (Strategy)

During the year, the DCMS Board included two Non-Executive members, Clive Elphick (who chaired the Audit Committee) and Sonita Alleyne. Sonita Alleyne's term of appointment came to an end on 31 December 2005. Parminder Vir became non-executive director from 1 March 2006. In addition to Clive Elphick, the Audit Committee has an independent external member, Stephen Park. John Thompson joined the Audit Committee as an independent external member in March 2006.

In my capacity as Chief Executive of the Government Olympic Executive, I was appointed as Accounting Officer for the OLDF with effect from 20 June 2006. Jonathan Stephens was appointed as Permanent Secretary and Accounting Officer of DCMS with effect from 1 October 2006.

10 January 2007

### Jeff Jacobs

Chief Executive and Accounting Officer  
Government Olympic Executive



## **Statement of Responsibilities of Secretary of State, Additional Accounting Officer and the National Lottery Commission**

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Under section 33(1) of the National Lottery etc. Act 1993, as amended by section 34(11) of the Horserace Betting and Olympic Lottery Act 2004, the Secretary of State for Culture, Media and Sport is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Treasury. A copy of the Accounts Direction may be obtained from the Finance & Planning Division, within the Department for Culture, Media & Sport. The accounts are prepared on an accruals basis and must give a true and fair view of the OLDF's state of affairs at the year-end and of its income and expenditure and cash flows for the period.

In preparing the accounts the Secretary of State is required to:

- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable Accounting Standards have been followed and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Fund will continue in operation.

The Permanent Secretary of the Department for Culture, Media and Sport has appointed the Chief Executive of the Government Olympic Executive (GOE) as the Additional Accounting Officer for DCMS and Accounting Officer for the OLDF. His relevant responsibilities as Additional Accounting Officer, including his responsibility for the propriety and regularity of public finances and for the keeping of proper records, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in "Government Accounting".

The GOE Chief Executive's responsibilities over the OLDF extend to the receipt of Lottery revenues from Camelot Group plc, their placement with the CRND and disbursements to the Olympic Lottery Distributor.

The National Lottery Commission, which took over the functions of the Office of the National Lottery and its Director General from 1 April 1999, is responsible, using the powers set out in the 1993 Act, as amended by the National Lottery Act 1998, and in the licence granted to Camelot Group plc under section 5 of the National Lottery etc. Act 1993, for ensuring that Camelot Group plc meet their obligations under the licence, including their financial obligations to the Olympic Lottery Distribution Fund. The DCMS Additional Accounting Officer has no locus in operational matters related to the licence.

The Department is notified of amounts due to be paid to the OLDF by Camelot; this is overseen by the National Lottery Commission. The Commissioners are also required to report after the end of each financial year to the Secretary of State on the exercise of their functions during the year. The Accounting Officer of the Commission has provided me with a Statement of Assurance and in this he outlines the compliance work undertaken at Camelot Group plc during the year ended 31 March 2006 which has led him to be satisfied that the payments to the OLDF during the year to 31 March 2006 are complete and accurate in all material respects.

10 January 2007

**Jeff Jacobs**  
Chief Executive and Accounting Officer  
Government Olympic Executive

## Statement on Internal Control

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### Scope of responsibility

1. As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the operation of the Olympic Lottery Distribution Fund (OLDF), whilst safeguarding OLDF funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

2. Financial Directions have been given by the Secretary of State to the Olympic Lottery Distributor (OLD) under the Horserace Betting and Olympic Lottery Act 2004 covering a Statement of Financial Requirements (SFR). The SFR includes requirements that:

- (i) the Accounting Officer of the OLD satisfies him/herself on an ongoing basis of the adequacy of the OLD's systems of internal control, as reflected in the annual Statement on Internal Control;
- (ii) those systems of internal control are designed to identify risks and manage them to a reasonable level;
- (iii) the Accounting Officer of the OLD seeks assurance at appropriate intervals that OLD's administrative and financial systems as a whole remain adequate for the purpose of discharging its Lottery distribution functions, and that he/she informs the Department if he/she has any reason to doubt that this is the case;
- (iv) the OLD has regard to value for money in its administration of Lottery funds.

3. The National Lottery Commission is responsible, using the powers set out in the National Lottery etc. Act 1993, as amended by the National Lottery Act 1998, and in the licence granted to Camelot Group plc under section 5 of the 1993 Act, for ensuring that Camelot meets its obligations under the licence, including financial obligations to the OLDF. The Lottery operator, Camelot, notifies the Department of the amounts due to be paid to the OLDF. The Commission reviews the notifications and checks that the payments made are in accordance with the licence conditions. The Accounting Officer of the Commission provides me with a statement of assurance in which the compliance work undertaken at Camelot Group plc during the year is outlined and which provides confirmation that the payments to the OLDF during the year are complete and accurate in all material respects. The Commission publishes an Annual Report at the end of each financial year, which fulfils its requirement to report to the Secretary of State on the exercise of its functions during that year.

### Purpose of the System of Internal Control

4. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve the Fund's purposes; it can therefore provide only a reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the Fund, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

### Capacity to Handle Risk

5. As Accounting Officer I acknowledge my overall responsibility for ensuring the Department is committed to high standards of corporate governance, including the effective management of risk throughout the Department.

6. The OLDF follows the DCMS risk management policy and process. The Department's risk management policy has been agreed by the DCMS Board and is subject to regular review and revision to ensure it reflects best risk management practice. It defines what is meant by risk and risk management, outlines the key principles underpinning the Department's approach to risk management, and identifies the DCMS Board's agreed risk appetite, the risk management process and the roles and responsibilities of staff. Risk Management Guidance is available to all staff. Both the Policy and the Guidance are available on the Department's intranet.

7. The Department has a Risk Improvement Manager and seeks to learn from good practice via the Risk Improvement Manager network and Internal Audit contacts in other bodies, results of internal audit reports and discussions with our many NDPBs.

8. Risk Management features in departmental training courses as appropriate and was covered in the event to launch the 2005-06 business planning round. Facilitated risk workshops are also available. One-to-one training sessions on risk and Assurance were provided to new senior members of staff prior to the year-end Assurance and risk reporting process.

### **The Risk and Control Framework**

9. The OLDF has a risk register which is subject to regular review by the DCMS Head of National Lottery Distribution and Communities Division (NLDCD) and the Head of Accounting, with areas of concern reported to the DCMS Audit Committee. A self-assessment approach to risk identification is used with risks evaluated in respect of both impact and likelihood. As part of the business planning process, Divisions are encouraged to hold facilitated workshops to identify the risks to divisional objectives, to evaluate these and to identify the necessary controls. Guidance is available on the types of risk that the Fund could face. Each significant risk is required to have a contingency plan which identifies the risk "trigger points" which give early warning of the risk materialising. All risks are assigned Risk Owners i.e. someone with sufficient authority to ensure the risk is addressed and that clear responsibility to manage the risk is allocated to specific offices. The final stage of the process is to complete the risk register and to keep it under review.

10. The NLDCD co-ordinates the Department's annual Lottery Assurance Review. The Department derives assurance primarily from the Statement on Internal Control (SIC) submitted by the OLD. The NLDCD reviews the SIC with Finance and Planning Division, and the OLD's sponsoring divisions, contributing additional information and comments as appropriate. The Internal Audit Unit monitors and audits this process.

### **Review of Effectiveness**

11. As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of executive managers within the OLDF who have responsibility for the development and maintenance of the internal control framework, audits by the DCMS Internal Audit Unit and recommendations from the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit Committee, and a plan to address any weaknesses and ensure continuous improvement of the system is in place.

12. The key elements of the system of internal control are set out above and contribute to my review of the system's effectiveness. The following bodies also inform my view:

**The DCMS Board** (comprising the Permanent Secretary, me, the Department's other Directors General (DG), Directors and two non-executive members) meets regularly to review the Department's priorities, oversee their delivery and the strategic framework within which detailed business planning takes place, and to review the strategic risks and the effectiveness of the risk management process.

**Audit Committee** – the Committee comprises the Chairman (a non-executive Board member), an independent external member, the Chief Operating Officer, one other Director General and one divisional head. An additional independent external member was appointed during the year. The Committee meets four times a year and advises the Permanent Secretary and me on the adequacy and effectiveness of risk management and internal control, including the strategic risk register processes. The Committee also assesses: the internal and external audit activity plans and the results of that activity; the adequacy of management responses to audits and the adequacy of internal audit arrangements in DCMS's NDPBs.

**Internal Audit** – the Department has an Internal Audit Unit, which operates to Government Internal Audit Standards. During the year, responsibility was transferred to a shared service with the Department for Communities and Local Government. The Unit submits regular reports, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the arrangements for risk management, control and governance, together with recommendations for improvement.

10 January 2007

**Jeff Jacobs**

Chief Executive and Accounting Officer  
Government Olympic Executive

## **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT AND THE SCOTTISH PARLIAMENT**

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I certify that I have audited the financial statements of the Olympic Lottery Distribution Fund for the period ended 31 March 2006 under the Horserace Betting and Olympic Lottery Act 2004. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### **Respective responsibilities of the Secretary of State, Additional Accounting Officer and Auditors**

As described on page 6, the Secretary of State for Culture, Media and Sport is responsible for the preparation of the Annual Report, Remuneration Report and financial statements in accordance with the Horserace Betting and Olympic Lottery Act 2004 and Treasury directions made thereunder. The Secretary of State has delegated to the Additional Accounting Officer responsibility for the preparation of the Annual Report, Remuneration report and financial statements and for ensuring the regularity of financial transactions.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland)

I report my opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Horserace Betting and Olympic Lottery Act 2004 and Treasury directions made thereunder. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Annual Report is not consistent with the financial statements, if the Fund has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 7 to 9 reflects the Fund's compliance with Treasury's guidance "Corporate Governance: Statement on Internal Control". I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the Additional Accounting Officer's Statement on Internal Control covers all risks and controls or form an opinion on the effectiveness of the Olympic Lottery Distribution Fund's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Management Commentary, the Statement of Responsibilities of the Secretary of State, Additional Accounting Officer and the National Lottery Commission and the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of Audit Opinion**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by

the Secretary of State and Additional Accounting Officer in the preparation of the financial statements and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error and that in all material respects the income and expenditure have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. With regard to the completeness of income to the Fund, my audit included a review of the Statement of Assurance provided by the Accounting Officer of the National Lottery Commission to the Additional Accounting Officer of the Olympic Lottery Distribution Fund, mentioned on page 6, and the work of the Commission in this respect. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Audit Opinion**

In my opinion:

- the financial statements give a true and fair view, in accordance with the Horserace Betting and Olympic Lottery Act 2004 and directions made thereunder by Treasury, of the state of the Olympic Lottery Distribution Fund's affairs as at 31 March 2006 and of the increase in funds available and cash flows for the period then ended;
- the financial statements have been properly prepared in accordance with the Horserace Betting and Olympic Lottery Act 2004 and with the directions made thereunder by the Treasury; and
- in all material respects the income and expenditure have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

**John Bourn**  
Comptroller and Auditor General  
23 January 2007

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

## Olympic Lottery Distribution Fund Income and Expenditure Account

for the period 2 August 2005 to 31 March 2006

	Note	£000	£000
<i>Income</i>			
National Lottery	2	16,354	
Investment Income	3	171	
<b>Total Income</b>			<u>16,525</u>
<i>Less: Operational Costs</i>			
Department for Culture, Media and Sport	4	39	
National Lottery Commission Grant in Aid	5	–	
Other Expenses	6	–	
		<u>          </u>	<u>(39)</u>
<b>Net Realised Income for Distribution</b>			<b>16,486</b>
Amounts authorised for payment to the Distributing Body			<b>(33)</b>
<b>Increase/(decrease) in Amounts Held for Distributing Body</b>			<b>16,453</b>
Balance brought forward			<u>–</u>
			<u><b>16,453</b></u>

All transactions are in respect of continuing operations.

There are no comparative figures because this is the first accounting period for the fund.

OLDF has no recognised gains or losses in year other than those that appear in the Income and Expenditure Account.

The notes on pages 15 to 19 form an integral part of these accounts.

## Olympic Lottery Distribution Fund Balance Sheet as at 31 March 2006

	Note	£000	£000
<i>Current Assets</i>			
Debtors	7	811	
Investments held by CRND	8	15,681	
Cash at Bank and in Hand			
		<u>16,492</u>	
Creditors: Amounts falling due within one year	8	(39)	
Net Current Assets	8		<u>16,453</u>
<i>Represented by:</i>			
Amounts held for the Distributing Body	8		<u>16,453</u>

The notes on pages 15 to 19 form an integral part of these accounts.

There are no comparative figures because this is the first accounting period for the fund.

10 January 2007

### **Jeff Jacobs**

Chief Executive and Additional Accounting Officer  
Government Olympic Executive



## Olympic Lottery Distribution Fund

### Cash Flow Statement

for the period 2 August 2005 to 31 March 2006

	Note	£000
<b>Operating Activities</b>		
Cash received from Lottery operator		15,543
Cash paid for operating expenses		0
Cash paid to Distributing Body		(33)
Net cash inflow from operating activities	9	<u>15,510</u>
<b>Management of liquid resources</b>		
Cash Paid to CRND for Investment		(15,543)
Cash received from CRND for distribution		33
Net cash outflow from management of liquid resources		<u>(15,510)</u>
Change in cash		<u>–</u>

All investment income is re-invested by the Commissioners for the Reduction of the National Debt and therefore there are no cashflows arising from investments.

The notes on pages 15 to 19 form an integral part of these accounts.

There are no comparative figures because this is the first accounting period for the fund.

## Notes to the Financial Statements

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### 1. Statement of Accounting Policies

#### Basis of Accounting

The financial statements have been prepared on a historical cost basis, modified by assets at their value to the business by reference to current costs, and in accordance with the Accounts Direction given by the Treasury. These Directions have been consistently applied throughout the year. Without limiting the information given, these financial statements meet the accounting and disclosure requirements of the Companies Act 1985 and Accounting Standards issued or adopted by the Accounting Standards Board in so far as these requirements are appropriate.

#### Nature of Account Balances

Balances held in the OLDF remain under the stewardship of the Secretary of State for Culture, Media and Sport. The amount attributable to the Distributing Body at the balance sheet date and shown in these accounts has been certified by the Secretary of State for Culture, Media and Sport as being available for distribution by the body in respect of current and future commitments.

From 1 April 2002 HM Treasury removed the requirement for a notional cost of capital charge to be calculated on assets funded by the Lottery.

#### Recognition of Lottery Income

Proceeds from the Lottery due to the OLDF from the operator, Camelot Group plc, are calculated on an annual basis as set out in the Section 5 Licence. Payments are made to the OLDF each week on the basis of actual sales and prizes. The amounts recognised in these accounts for the Lottery Primary Contribution include income receivable draws up to and including 31 March 2006.

The Lottery Primary Contribution also includes income due to the OLDF from the sale of Scratchcards. Under the terms of the licence, income is collected by Camelot and paid to the OLDF on packs of cards once a pack becomes settled. The retail value of each pack is £120. This occurs 30 days after a pack is activated or once 60% of the low tier prizes have been won, whichever is the sooner.

Lottery prizes that remain unclaimed for 180 days after a draw, or closure of a scratchcard game or Interactive Instant Win game, are paid to the OLDF. Accruals have been made for prizes expiring on or before 31 March but not paid to OLDF at this date.

Actual prizes, together with Lottery duty and an element of Camelot's fixed costs relating to sales, are deducted from weekly sales. The balance is pooled, to be shared between Camelot and the good causes.

Camelot must seek the National Lottery Commission's approval for any promotional events, such as 'Superdraws' with guaranteed jackpot prize levels, that may reduce the net weekly proceeds into the OLDF. The NLC will only permit these promotions if they are satisfied that they are likely to increase proceeds for lottery good causes over a longer period.

Interest on the Players Trust Fund is recognised in the accounts on an accruals basis.

#### Recognition of Amounts Drawn by Distributor

The amounts recorded as drawn down by the Distributing Body represent the actual cash claims made by the Olympic Lottery Distributor.

#### Investments

Investments held by the CRND are valued in these accounts at market value.

**2. Income from Lottery Activities**

	<b>2005-06</b>
	<b>£000</b>
Primary Contribution (see note a below)	<b>16,333</b>
Interest on Players Trust Fund (see note b below)	<b>18</b>
Income from penalties and charges imposed by NLC on lottery operator, couriers and retailers	<b>3</b>
Income from Ancillary Activities	<b>–</b>
	<b>16,354</b>

- (a) Under the Section 5 Licence to run the National Lottery, Camelot is allowed to recover certain amounts from the Primary Contribution figures. These adjustments, which are divided between the NLDF and OLDF in proportion to ticket sales, are made after the year end. Due to the effect they would have on the proceeds held for the Distributing Body and consequently its accounts, the adjustments are reflected in the following year's accounts. The total of the adjustment relating to 2005-06 (which will be taken from 2006-07 income) was £87k. Of this, £30k is in respect of New Media (Interactive) sales, £38k is to recover an overpayment in respect of Primary Contribution receipts and £19k is to recover the OLDF's share of the combined NLDF/OLDF 50% contribution to the actual spend of the National Lottery Promotions Unit (NLPU).
- (b) The Inland Revenue agreed that the OLDF should be allowed to reclaim tax deducted on interest received from the Players Trust Fund.

**3. Investment income**

	<b>2005-06</b>
	<b>£000</b>
Interest Received on investments	<b>171</b>

The OLDF's investment objective is to protect the Fund's capital and to provide for the Olympic Lottery Distributor's liquidity needs.

During the period of these accounts, the entire balance has been held as short term deposits rather than invested in gilts. There are therefore no profits/losses on sales of investments and no revaluation gains/losses.

**4. Operational Costs: Department for Culture, Media and Sport**

	<b>2005-06</b>
	<b>£000</b>
Staff Costs	<b>11</b>
Accommodation and Central Services	<b>2</b>
IT, Consultancy, and Training	<b>3</b>
Charge for the use of DCMS assets	<b>1</b>
Audit fee: Comptroller and Auditor General	<b>22</b>
Bank of England charges	<b>0</b>
	<b>39</b>

The Auditor's remuneration for the period was £21,600

Six members of DCMS Finance Division and National Lottery Division were engaged, part time, on OLDF matters. Their staff costs are charged to the OLDF in proportion to the amount of time they spend on OLDF duties.

A share of the accommodation costs of the building occupied by DCMS has been charged to the OLDF, on the basis of the floor area occupied by DCMS staff engaged on OLDF matters as a proportion of the building as a whole. Similarly a share of the Central Service Costs incurred by DCMS has been charged on the basis of the number of DCMS staff engaged on OLDF matters as a proportion of the total number of DCMS staff.

## 5. Reconciliation of National Lottery Commission Operational Costs

DCMS recover the net costs of running the National Lottery Commission (NLC) from the National Lottery Distribution Fund (NLDF) and the OLDF. The net cost consists of the Grant in Aid paid to NLC less the license fee income received by NLC and surrendered to DCMS in appropriations-in-aid.

The license fee income is the sum of payments made by the lottery operator, Camelot, for each new Section 6 license granted for new lottery games. In 2005-06, license fee income included £80,000 directly attributable to regulatory approval of Olympic Lottery games and a further £130,000 on class licenses attributable to Olympic Lotteries which will run until 2009. NLC's gross costs directly attributable to regulation of the Olympic Lotteries are calculated to be of the same order, with a net cost close to zero. No apportionment of the net costs of regulation has therefore been made between the NLDF and OLDF.

## 6. Other expenses:

Commissioners for the Reduction of the National Debt.

No amounts were charged by the CRND for Management of the OLDF Investment Fund Account during 05-06, due to the low expense incurred by them.

## 7. Debtors:

	2005-06 £000
Ticket sales income due as a result of draws prior to year end	<u>811</u>

## 8. Balance on Olympic Lottery Distribution Fund

	at 31 March 2006	
	Cost £000	MV £000
Investments held by the CRND	15,628	15,681
Debtors (note 7)	811	811
Creditors	(39)	(39)
Balance held	<u>16,400</u>	<u>16,453</u>

Under s32 of the National Lottery etc Act 1993, all monies held by the National Debt Commissioners are regarded as investments by the Secretary of State. Further analysis is provided in the accounts of the CRND.

During the period, all investments held by CRND on behalf of the OLDF – other than a small Ways and Means cash balance – were held as Call Notice Deposits. Funds held by CRND in these asset classes would meet the definition of cash under FRS1 if they were held directly under the control of the Secretary of State as they are repayable on demand within one working day.

£17k of creditors are in respect of accruals of DCMS recharges, unpaid at the year end, and £22k for the audit fee accrual, also unpaid at the year end.

**9. Reconciliation of decrease in Amounts Held for Distributing Body as disclosed in Income and Expenditure Account with Net Cash Inflow/ (Outflow) from operating activities.**

	2005-06 £000
Increase in Amounts Held for Distributing Body	16,453
Less Investment Income	(171)
Add Loss on Sale of Investments	-
Add Impairment loss/ (gain) on revaluation of investments	-
	<u>16,282</u>
(Increase)/Decrease in Lottery operator debtor	(811)
Decrease in professional penalty debtor	0
Increase in creditors for operating expenses	39
Net cash inflow from operating activities	<u>15,510</u>

It is the policy of the OLDF to hold a nil cash balance whenever possible and to transfer all funds to the CRND for investment on the day of receipt.

**10. Financial Instruments**

Accounting Standard FRS 13 – Derivatives and Other Financial Instruments, requires that the OLDF discloses the effect that financial instruments have had during the period in creating or changing the risks it faces in undertaking its role.

The investment strategy for the OLDF seeks to balance liquidity risks and interest rate risks over the life of the Olympics project. The investment strategy for the fund is informed by the Department's review of the Olympic Lottery Distributor's forward commitment profile.

During the period of these accounts, the funds invested by CRND have been wholly in cash instruments, primarily to avoid liquidity risks as the Distributing Body was expected to need to make payments to the Olympic Delivery Authority shortly after the year end.

**Liquidity Risks**

The OLDF receives its income from the National Lottery and from returns accruing on funds, which have not been drawn down by the Olympic Lottery Distributor. The income into the OLDF is available to the Distributing Body for drawdown to pay grant commitments, less any operating expenses. The Distributing Body can only draw down funds available in the OLDF. As a result of the decision to hold all funds as cash instruments, there are considered to be no significant liquidity risks.

**Interest Rate Risks**

The Financial assets of the OLDF are invested with the CRND which manages its investments. The investments made by the CRND are made in accordance with directions made by HM Treasury and are therefore not controlled by the OLDF. The average return on the investments in the financial year was 4.5114%. The OLDF does not consider itself to be exposed to any significant interest rate risks.

**Foreign Currency Risks**

The OLDF is not exposed to any foreign exchange risks.

**Short term Debtors**

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months of the balance sheet date have been omitted from this note.

## 11. Related Party Transactions

The OLDF is maintained under the control and management of the Secretary of State of the Department for Culture, Media and Sport (DCMS). The DCMS is considered to be a related party. During the year, a number of staff employed by the DCMS worked on OLDF related activities and the Fund used a number of the assets owned by DCMS. These costs were recharged to the Fund by DCMS and are reflected in Note 4 of the accounts. DCMS is also the sponsoring Department of the Olympic Lottery Distributor and the Olympic Delivery Authority. CRND, which is ultimately part of HM Treasury, is also considered a related party.

## 12. Post Balance Sheet Events

The new permanent Board for the Olympic Lottery Distributor was appointed by the Secretary of State from 16th April 2006. Since the beginning of the new financial year the OLD's Board has agreed grant commitments of £77.6 million falling due in 2006-07, including re-imbusement of some costs originally incurred by the funders of the iODA.

£15 million was paid from the OLDF to OLD in August 2006 towards these commitments.

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