

Lotteries and Gaming Authority
Report and financial statements
For the period 2 September 2002 to 31 December 2003

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Statement of responsibilities of the Authority

The Authority consists of the Chairman and the Board members, who are to ensure that:

- a. proper accounting records are kept of all transactions entered into by the Authority and of its assets and liabilities
- b. adequate controls and procedures are in place for safeguarding the assets of the Authority and the prevention and detection of fraud and other irregularities.

The Lotteries and Other Games Act, Cap 438 requires that financial statements are prepared for each financial year. In preparing those financial statements which give a true and fair view of its state of affairs as at the end of the financial year and of its surplus or deficit for that year, the Authority:

- adopts the going concern basis unless it is considered inappropriate;
- selects suitable accounting policies and then applies them consistently;
- makes judgements and estimates that are reasonable and prudent;
- accounts for income and charges relating to the accounting period on the accruals basis;
- values separately the components of asset and liability items; and
- reports comparative figures corresponding to those of the preceding accounting period.

Report of the auditors to the Board

We have audited the financial statements on pages 3 to 11. These financial statements are the responsibility of the Authority's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the state of affairs of the Authority as at 31 December 2003 of its surplus, changes in equity and cash flows for the period then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Lotteries and Other Games Act, Cap 438.

Without qualifying our opinion we draw attention to note 6 to the financial statements which states that no provision for Income Tax has been made in these financial statements. The outcome of the discussions with the Commissioner of Inland Revenue is presently uncertain but could result in a maximum tax charge and liability of Lm 2,078,883 which are currently not provided for. Should a tax charge and liability materialize, the reported surplus of Lm 5,939,667 will be reduced by the tax charge but there will be no resultant effect on the reported net current liabilities and reserves of the Authority at 31 December 2003.



Mark Bugeja
f/ Grant Thornton

Certified Public Accountants

Grant Thornton House
Princess Elizabeth Street
Ta' Xbiex MSD 11
Malta

24 June 2004

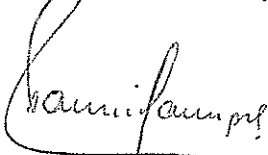
Income and expenditure account

	Note	2003 Lm
Income	3	6,319,719
Staff costs	4	55,558
Professional and consultancy fees		44,414
Promotional expenses		2,678
Administrative expenses		275,021
Depreciation		2,381
		<hr/> 380,052
Surplus for the period	5	<hr/> 5,939,667

Balance sheet at 31 December

	Note	2003 Lm
Non-current assets		
Tangible assets	7	3,502
		<hr/>
Current assets		
Debtors	9	464,079
Cash at bank and in hand		62,301
		<hr/>
		526,380
Creditors : amounts falling due within one year	10	529,882
		<hr/>
Net current liabilities		(3,502)
		<hr/>
Total assets less current liabilities		-
		<hr/>
Capital and reserves		
Reserve fund		-
		<hr/>

The financial statements on pages 3 to 11 were approved by the Board on 24 June 2004 and were signed on their behalf by:



Dr Joseph Zammit Maempel



Mr Joseph Ross

Statement of changes in equity

	Reserve fund Lm
Appropriation from income and expenditure account	5,939,667
Payment made to Government in terms of section 50 of the Lotteries and Other Games Act, Cap 438	(5,886,684)
Payment due to Government	(52,983)
	<hr/>
At 31 December 2003	-
	<hr/>

Cash flow statement

	Note	2003 Lm
Operating activities		
Cash generated from operations	12(a)	5,494,868
Payments made to Government		(5,886,684)
		<hr/>
Net cash used in operating activities		(391,816)
		<hr/>
Financing activities		
Advance from Government		460,000
		<hr/>
Investing activities		
Payments to acquire tangible fixed assets	12(b)	(5,883)
		<hr/>
Net increase in cash and cash equivalents		62,301
Cash and cash equivalents at beginning of period	12(c)	-
		<hr/>
Cash and cash equivalents at end of period	12(c)	62,301
		<hr/>

Notes to the financial statements

1 Presentation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

These financial statements are presented in Maltese Liri (Lm).

2 Summary of significant accounting policies

The financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

Revenue recognition

The Authority's revenue consists of duty levied on regulated activities. Revenue is recognised on the accruals basis.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight line method, on the following bases:

	%
Office equipment	25
Computer equipment	25

Impairment

At each balance sheet date the Authority reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised on the Authority's balance sheet when the Authority has become a party to the contractual provisions of the instruments.

Debtors

Debtors are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Creditors

Creditors are stated at their nominal value.

Notes to the financial statements (continued)

3 Income

	2003 Lm
Income comprises:	
Casino duty and Licences	4,830,663
Online betting duty	1,158,986
Bingo hall duty	325,814
	<hr/>
	6,315,463
Interest receivable	2,919
Sundry income	1,337
	<hr/>
	6,319,719
	<hr/>

4 Staff costs

	2003 Lm
Wages and salaries	51,901
Social security costs	3,657
	<hr/>
	55,558
	<hr/>
Average number of employees	8
	<hr/>

5 Surplus for the period

	2003 Lm
The surplus for the period is stated after charging:	
Chairman's emoluments and Board's honoraria	15,800
Auditors' remuneration	350
	<hr/>

6 Taxation

No provision for Income Tax has been made in these financial statements as the Authority's tax status is unclear. The Authority will be holding meetings with the Commissioner of Inland Revenue to clarify this issue and if necessary reflect the tax charge due in future years.

Notes to the financial statements (continued)

7 Tangible fixed assets

	Office equipment Lm	Computer equipment Lm	Total Lm
Cost			
Additions during the period	2,532	3,351	5,883
	<hr/>	<hr/>	<hr/>
Depreciation			
Charge for the period	1,237	1,144	2,381
	<hr/>	<hr/>	<hr/>
Net book value			
At 31.12.03	1,295	2,207	3,502
	<hr/>	<hr/>	<hr/>

8 Commitments

	2003 Lm
Capital expenditure	
Capital expenditure that has been contracted for but has not yet been provided for in the financial statements	NIL
	<hr/>
Capital expenditure that has been authorised by the Board but has not yet been contracted for	NIL
	<hr/>

9 Debtors

	2003 Lm
Amounts falling due within one year:	
Prepayments and accrued income	464,079
	<hr/>

10 Creditors : amounts falling due within one year

	2003 Lm
Accruals and deferred income	16,899
Advance repayable to Government	460,000
Other amounts due to Government	52,983
	<hr/>
	529,882
	<hr/>

Notes to the financial statements (continued)

11 Financial instruments

Financial assets include debtors and cash held at bank and in hand. Financial liabilities include creditors. At 31 December 2003, the Authority had no unrecognised financial instruments.

Risk management policies

- (a) Credit risk on amounts receivable is limited through the systematic monitoring of outstanding balances and the presentation of debtors net of allowances for doubtful debts, where applicable. Cash is placed with reputable banks.
- (b) Liquidity risk is limited as the Authority has sufficient funding resources and the ability to raise finance to meet its financial obligations as these arise.

Fair values

At 31 December 2003, the fair values of financial assets and liabilities of the Authority were not materially different from their carrying amounts.

12 Notes to the cash flow statement

(a) Cash generated from operations

	2003 Lm
Surplus for the period	5,939,667
Adjustments for:	
Depreciation	2,381
Operating surplus before working capital changes	<hr/> 5,942,048
Debtors	(464,079)
Creditors	16,899
	<hr/> 5,494,868 <hr/>

(b) Tangible fixed assets

During the year, the Authority acquired fixed assets with an aggregate cost of Lm 5,883 which were all paid in cash.

Notes to the financial statements (continued)

12 Notes to the cash flow statement (continued)

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amount:

	2003 Lm
Cash in hand and balances with banks	62,301
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Income and expenditure account (detailed)

	2003 (16 months) Lm
Income	
Fees:	
Casino duty and licences	4,830,663
Online betting duty	1,158,986
Bingo hall duty	325,814
Other:	
Interest receivable	2,919
Sundry income	1,337
	<hr/>
Total income	6,319,719
	<hr/>
Staff costs	
Salaries and N.I.	55,558
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Professional and consultancy fees	
Consultancy fees	23,424
Professional fees	10,190
Legal fees	10,450
Auditors' remuneration	350
	<hr/>
	44,414
	<hr/>
Promotional expenses	
Advertising and promotional	2,678
	<hr/>
Administrative expenses	
Chairman's emoluments and Board honoraria	15,800
Secretary fees	700
Telecommunications	2,717
Water and electricity	1,000
Casino inspectorate	238,709
Postage, stationery and printing	7,210
Office expenses	1,842
Entertainment	839
Travelling expenses	6,155
Bank charges	49
	<hr/>
	275,021
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Depreciation	2,381
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Total expenses	380,052
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Surplus for the period	5,939,667
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