



Lotteries & Gaming Authority
Financial Statements - 31 December 2010



- 02** General Information
- 03** Report of the Board Members of the Authority
- 04** Independent Auditor's Report
- 05** Statement of Comprehensive Income
- 06** Statement of Financial Position
- 07** Statement of Changes in Equity
- 08** Statement of Cash Flows
- 09** Notes to the Financial Statements

GENERAL INFORMATION

Registration

The Lotteries and Gaming Authority (the 'Authority') was established by virtue of the Lotteries and Other Games Act, Cap.438 of the Laws of Malta.

Board Members of the Authority

Dr. Pauline Debono LL.D.
Dr. Roberta Fenech Gauci LL.D.
Mr. Jesmond Pace
Dr. Stanley Portelli LL.D.
Mr. Nicholas Xuereb (Chairman)

Chief Executive Officer

Mr. Reuben Portanier

Secretary of the Board of the Authority

Dr. Natasha Galea Sciberras LL.D.

Head Office

Lotteries and Gaming Authority
Suite 1, Level 3
TG Complex
Brewery Street
Birkirkara BKR3000

Auditors

Ernst & Young Malta Limited
Certified Public Accountants
Regional Business Centre
Achille Ferris Street
Msida MSD 1751
MALTA

REPORT OF THE BOARD MEMBERS OF THE AUTHORITY

The Board Members of the Authority submit their annual report and the audited financial statements for the year ended 31 December 2010.

Principal activity

The Lotteries and Gaming Authority was established by virtue of the Lotteries and Other Games Act, Cap.438 of the Laws of Malta for the purposes of carrying out the functions defined in the said Act.

Results

The total operating revenue generated by the Authority during the year amounted to EUR48,809,224 (2009: EUR43,780,569). After deducting all expenditure of EUR2,656,932 (2009: EUR2,433,892) the Authority registered a surplus for the year of EUR46,157,629 (2009: EUR41,357,229). The Authority transferred EUR46,821,299 (2009: EUR42,353,622) to the Government of Malta

Board Members of the Authority

The Board Members of the Authority who served during the year under review are listed on page 2.

In accordance with Part IV, section 9 (2) of the Lotteries and Other Games Act, Cap.438, the Chairman and other Board members of the Authority are appointed by the Finance Minister for a maximum period of three years but may be reappointed on the expiration of their term of office.

Auditors

Ernst & Young Malta Limited have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the next meeting of the Board Members of the Authority.

The Report of the Board Members of the Authority is signed on their behalf by:



NICHOLAS XUEREB
Chairman



JESMOND PACE
Board member

25 February 2011

INDEPENDENT AUDITOR'S REPORT TO THE BOARD MEMBERS OF THE LOTTERIES AND GAMING AUTHORITY

We have audited the accompanying financial statements of the Lotteries and Gaming Authority ('the Authority'), set on pages 5 to 18, which comprise the statement of financial position as at 31 December 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board Members' Responsibility for the Financial Statements

The Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU and the Lotteries and Other Games Act, Cap.438 of the Laws of Malta. 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; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Authority as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU and have been properly prepared in accordance with the Lotteries and Other Games Act, Cap.438 of the Laws of Malta.

*This copy of the audit report has been signed by
Anthony Doublet for and on behalf of*

Ernst & Young Malta Limited
Certified Public Accountants

25 February 2011



A member firm of Ernst & Young Global Limited
Certified Public Accountants
Partners: Mario P. Galea, Ronald Attard,
Emanuel Azzopardi, Anthony Doublet,
Christopher J.Naudi

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

	Notes	2010 EUR	2009 EUR
Revenue	5	48,809,224	43,780,569
Administrative and other expenses	6	(2,656,932)	(2,433,892)
Operating surplus		46,152,292	41,346,677
Finance income	8	5,337	10,552
Surplus for the year		46,157,629	41,357,229

The accounting policies and explanatory notes on pages 9 to 18 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2010

	Notes	2010 EUR	2009 EUR
ASSETS			
Non-current assets			
Property, plant and equipment	10	258,925	330,684
Current assets			
Trade and other receivables	11	4,592,312	4,171,547
Cash at bank and in hand	14	151,834	341,927
		4,744,146	4,513,474
TOTAL ASSETS		5,003,071	4,844,158
EQUITY AND LIABILITIES			
Equity			
Reserve fund		-	-
National Lottery reserve fund	13	-	-
		-	-
Current liabilities			
Trade and other payables	12	5,003,071	4,844,158
TOTAL EQUITY AND LIABILITIES		5,003,071	4,844,158

The accounting policies and explanatory notes on pages 9 to 18 form an integral part of the financial statements.

The financial statements on pages 5 to 18 have been authorised for issue by the Board Members of the Authority on 25 February 2011 and were signed on their behalf by:



NICHOLAS XUEREB
Chairman



JESMOND PACE
Board member

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

	National lottery reserve fund EUR	Reserve fund EUR	Total EUR
At 1 January 2010			
Appropriation from statement of comprehensive income	1,022,187	45,135,442	46,157,629
Unclaimed prizes transferred in terms of section 54 of the Lotteries and Other Games Act, Cap.438	657,072	-	657,072
Payments made to Government in terms of sections 50 and 59 of the Lotteries and Other Games Act, Cap.438	(1,679,259)	(45,142,040)	(46,821,299)
Surplus distribution to government	-	6,598	6,598
	-----	-----	-----
At 31 December 2010	-	-	-
At 1 January 2009			
Appropriation from statement of comprehensive income	1,018,158	40,339,071	41,357,229
Unclaimed prizes transferred in terms of section 54 of the Lotteries and Other Games Act, Cap.438	816,047	-	816,047
Payments made to Government in terms of sections 50 and 59 of the Lotteries and Other Games Act, Cap.438	(1,834,205)	(40,519,417)	(42,353,622)
Surplus distribution to government	-	180,346	180,346
	-----	-----	-----
At 31 December 2009	-	-	-

The accounting policies and explanatory notes on pages 9 to 18 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2010

	Note	2010 EUR	2009 EUR
Operating activities			
Surplus for the year		46,157,629	41,357,229
Adjustment to reconcile surplus for the year to net cash flows			
Non-cash:			
Write off of property, plant and equipment		-	50,772
Depreciation of property, plant and equipment		111,021	120,906
Provision for doubtful debts		293,555	-
Finance income		(5,337)	(10,552)
Working capital adjustments:			
Increase in trade and other receivables		(714,322)	(581,461)
Increase in trade and other payables		4,118	16,683
Net cash flows from operating activities		45,846,664	40,953,577
Investing activities			
Purchase of property, plant and equipment		(39,262)	(215,851)
Interest received		5,337	10,552
Net cash flows used in investing activities		(33,925)	(205,299)
Financing activities			
Payments made to government		(46,157,629)	(41,357,230)
Net movement in cash and cash equivalents		(344,890)	(608,952)
Cash and cash equivalents at 1 January		341,927	950,879
Cash and cash equivalents at 31 December	14	(2,963)	341,927

The accounting policies and explanatory notes on pages 9 to 18 an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Lotteries and Gaming Authority ('the Authority') is a Government Authority established by virtue of the Lotteries and Other Games Act, Cap.438 of the Laws of Malta. The principal activity of the Authority is to regulate lotteries and other gaming activities in Malta.

2.1 BASIS OF PREPARATION

These financial statements have been prepared on a historical cost basis and are presented in Euro.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by EU and comply with the Lotteries and Other Games Act, Cap.438 of the Laws of Malta.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Authority has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2010:

- IFRS 2 – Share-based payment, Amendments relating to group cash-settled share-based payment transactions
- IFRS 3 – Business Combinations, Revised and consequential amendments to IAS 27 – Consolidated and Separate Financial Statements, IAS 28 – Investments in Associates and IAS 31 – Interests in Joint Ventures.
- IAS 39 – Financial Instruments: Recognition and Measurement, Amendments for eligible hedged items
- IFRIC 17, Distribution of Non-cash assets to owners
- Improvements to IFRS (issued by the IASB in May 2008) All amendments issued are effective as at 31 December 2009, apart from the following: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively
- Improvements to IFRS (issued by the IASB in April 2009)

None of these adopted standards or interpretations had any impact on the accounting policies, financial performance or performance of the Authority.

NOTES TO THE FINANCIAL STATEMENTS

- continued

2.2 CHANGES IN ACCOUNTING POLICIES - continued

Standards, interpretations and amendments to published standards that are not yet effective

Up to the date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the current reporting period and which have not been adopted early. Unless as otherwise stated, none of these standards, interpretations and amendments are expected to have an impact on the financial position or performance of the Authority. These are as follows:

- IFRS 1 – First-time Adoption of International Financial Reporting Standards, Limited Exemption from Comparative IFRS7 Disclosures for First time Adopters, effective for annual periods beginning on or after 1 July 2010
- IAS 24 – Related party disclosures amendments, effective for annual periods beginning on or after 1 January 2011
- IAS32 – Financial Instruments: Presentation, Amendments relating to classification of rights issues, effective for annual periods beginning on or after 1 February 2010
- IFRIC 14 – IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, Amendments with respect to voluntary prepaid contributions, effective for annual periods beginning on or after 1 January 2011
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments, effective for annual periods beginning on or after 1 July 2010
- Third omnibus improvement to IFRS issued by IASB in May 2010 (various effective dates, earliest for financial years beginning on or after 1 January 2011)

Standards, interpretations and amendments that are not yet adopted by the EU

- IFRS 1 – First-time Adoption of International Financial Reporting Standards, Amendments – Severe Hyperinflation and Removal of fixed Dates for first-time Adopters, effective for annual periods beginning on or after 1 July 2011
- IFRS 7 – Financial Instruments: Disclosures, Amendment – Transfer of Financial Assets, effective for annual periods beginning on or after 1 July 2011
- IAS 12 – Income Taxes, Amendment – Tax Recovery of Underlying Assets, effective for annual periods beginning on or after 1 January 2012
- IFRS 9 – Financial Instruments: Classification and Measurement, effective for annual periods beginning on or after 1 January 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are set out below:

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for licences, duties and application fees in the normal course of business. All revenue is recognised on the accrual basis. The following specific recognition criteria must also be met before revenue is recognised:

Licences

Revenue is recognised when the licence becomes due. It is accounted for on a straight line basis over the term of the licence.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

Application fees

Revenue is recognised upon receipt of a valid application form.

Duties

Depending on the type of licence, revenue from duties is either charged on a fixed fee basis or is based on a percentage of the regulated companies' reported revenue, up to a capped amount for remote gaming companies.

Interest income

Interest income is recognised as the interest accrues, unless collectability is in doubt.

Trade and other receivables

Trade receivables are recognised and carried at original amount due less an allowance for any uncollectible amounts. An estimate for impairment is made when collection of the full amount is no longer probable. Impaired debts are derecognised when they are assessed as uncollectible.

Amounts due from related parties are recognised and carried at cost.

Cash and cash equivalents

Cash in hand and at banks and term deposits which are held to maturity are carried at cost.

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash in hand and deposits at banks, net of overdrawn bank balances.

Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Authority.

Amounts due to related parties are carried at cost.

Property, plant and equipment

Property, plant and equipment, are stated at historical cost less accumulated depreciation. Depreciation is calculated to write off the cost of the property, plant and equipment on a straight line basis over their expected useful life as follows:

Furniture and fittings	10%
Office equipment	16.67-25%
Motor vehicles	20%
Computer equipment	25%

Gains and losses arising on de-recognition upon disposal of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

- continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c) there is a change in the determination of whether fulfilment is dependent on a specified asset; or
- d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and at the date of renewal of extension period for scenario b).

Finance leases, which transfer to the Authority substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the statement of comprehensive income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Authority will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing the financial statements, the Board is required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted in the period the change becomes known.

In the opinion of the Board, the accounting estimates, assumptions and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised)-'Presentation of financial statements'.

NOTES TO THE FINANCIAL STATEMENTS

- continued

5. REVENUE

Revenue comprises the following:

	2010 EUR	2009 EUR
Licence fees	1,355,567	1,257,829
Duties	46,675,760	41,869,568
Application fees	293,064	371,071
Other	484,833	282,101
	48,809,224	43,780,569

6. EXPENSES BY NATURE

	2010 EUR	2009 EUR
Auditor's remuneration	6,490	6,490
Chairman's emoluments and Board honoraria	28,757	28,757
Staff costs (note 7)	1,309,617	1,247,064
General administrative expenses	539,983	488,551
Professional fees	242,738	249,598
Promotional expenses (note i)	124,771	292,526
Depreciation on property, plant and equipment (note 10)	111,021	120,906
Provision for doubtful debts (note 11)	293,555	-
Total administrative and other expenses (Statement I)	2,656,932	2,433,892

- i. Promotional expenses are stated net of amounts recovered of EUR36,530 (2009: EUR53,100) from third parties in respect of participation in promotional activities.

7. EMPLOYEE INFORMATION

a. Staff Costs

The total employment costs were as follows:

	2010 EUR	2009 EUR
Salaries and social security costs	1,289,350	1,233,703
Fringe benefits	20,267	13,361
	1,309,617	1,247,064

NOTES TO THE FINANCIAL STATEMENTS

- continued

7. EMPLOYEE INFORMATION - continued

b. Staff numbers

The average number of persons employed by the Authority during the year was as follows:

	2010	2009
	Number	Number
HR and administrative	8	13
Legal affairs	5	-
Legal and enforcement	-	12
Inspectorate	15	15
Pre and post licensing compliance	14	-
Compliance	-	5
Information management and analysis	5	2
Total	47	47

8. FINANCE INCOME

	2010	2009
	EUR	EUR
Interest receivable on bank balances	5,337	10,552

9. TAXATION

No provision for Malta income tax has been made in these financial statements as the Authority's income is exempt from any liability to income tax.

NOTES TO THE FINANCIAL STATEMENTS

- continued

10. PROPERTY, PLANT AND EQUIPMENT

	Improvements to leased premises EUR	Furniture and fittings EUR	Office equipment EUR	Plant and machinery EUR	Motor vehicles EUR	Computer equipment EUR	Total EUR
Cost							
At 1 January 2009	62,709	86,613	69,934	3,089	128,722	235,107	586,174
Additions	-	165,562	2,019	-	-	48,268	215,849
Write off	(62,709)	-	-	-	-	-	(62,709)
At 31 December 2009	-	252,175	71,953	3,089	128,722	283,375	739,314
Additions	-	6,123	25,009	-	-	8,129	39,262
At 31 December 2010	-	258,299	96,962	3,089	128,722	291,504	778,576
Depreciation							
At 1 January 2009	11,937	25,204	42,327	515	81,480	138,198	299,661
Depreciation charge for the year	-	20,817	21,752	515	15,350	62,472	120,906
Depreciation released on write off	(11,937)	-	-	-	-	-	(11,937)
At 31 December 2009	-	46,021	64,079	1,030	96,830	200,670	408,630
Depreciation charge for the year	-	21,424	26,233	515	12,891	49,958	111,021
At 31 December 2010	-	67,445	90,312	1,545	109,721	250,628	519,651
Net book value							
At 31 December 2010	-	190,853	6,650	1,544	19,001	40,877	258,925
At 31 December 2009	-	206,154	7,874	2,059	31,892	82,705	330,684

11. TRADE AND OTHER RECEIVABLES

	2010 EUR	2009 EUR
Duties and licences receivable (note i)	4,496,322	4,154,421
Prepaid expenses	95,990	17,126
	4,592,312	4,171,547

- u. At 31 December 2010, duties and licences receivable at nominal value of EUR293,555 were impaired and fully provided for

NOTES TO THE FINANCIAL STATEMENTS

- continued

11. TRADE AND OTHER RECEIVABLES - continued

As at the balance sheet date, the ageing analysis of duties and licences receivable is as follows:

	Total EUR	Neither past due nor impaired EUR	Past due but not impaired			
			<30 days EUR	30-60 days EUR	60-90 days EUR	90 days EUR
2010	4,496,322	3,779,284	255,367	228,175	42,050	191,446
2009	4,154,421	3,224,142	185,107	79,353	6,587	659,232

12. TRADE AND OTHER PAYABLES

	2010 EUR	2009 EUR
Amounts due to government (note i)	3,680,138	3,687,116
Other payables	223,561	250,792
Bank balances (note ii)	154,797	-
Accruals	18,575	45,154
Deferred income	926,000	861,096
	5,003,071	4,844,158

- i. Amounts due to government are unsecured, interest free and have no fixed date of repayment. These amounts are payable to the Government of Malta under the provisions of the Lotteries and Other Games Act, Cap. 438 of the Laws of Malta.
- ii. The credit bank balances represent un-presented cheques which have been passed in the Authority's accounts but not presented to the bank by the reporting date.

13. NATIONAL LOTTERY RESERVE FUND

By virtue of section 59(1) of the Lotteries and Other Games Act, Cap.438 of the Laws of Malta, the National Lottery Licensee is to pay funds standing in its Unclaimed Prizes Reserve to the Authority. All funds received are to be credited to the National Lottery Reserve Fund. In accordance with section 50(6) of the same Act, all funds credited to the latter reserve shall be paid, not later than six weeks after the financial year end, to the National Lotteries Good Causes Fund held by the Treasury Department.

NOTES TO THE FINANCIAL STATEMENTS

- continued

14. CASH AND CASH EQUIVALENTS

Cash and short-term deposits consist of cash in hand and balances with banks. Cash and cash equivalents included in the statement of cash flows reconcile to the statement of financial position amounts as follows:

	2010 EUR	2009 EUR
Cash at bank and in hand	151,834	341,927
Bank balances (note 12)	(154,797)	-
	<u>(2,963)</u>	<u>341,927</u>

15. COMMITMENTS

The Authority operates from leased premises in Birkirkara. The future minimum rentals payable, including VAT, under this operating lease as at 31 December 2010, are as follows:

	2010 EUR
Within 1 year	184,824
After 1 year but not more than five years	554,472
	<u>739,296</u>

As at 31 December 2010, the Authority had prepaid rent amounting to EUR77,010 (note 11).

16. RELATED PARTY DISCLOSURES

Related party	Year	Total transactions with related parties EUR	Amounts owed to related parties at year end EUR	Type of transaction
Government of Malta - The Treasury	2010	46,157,629	3,680,138	Surplus for the year
Government of Malta - The Treasury	2009	41,357,229	3,687,116	Surplus for the year

Key management personnel

The Chairman and the Board members are considered to be key management personnel. Included in 'Administrative and other expenses' (note 6) are salaries paid to the Chairman and Board members amounting to EUR28,757 (2009: EUR28,757).

NOTES TO THE FINANCIAL STATEMENTS

- continued

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

At the year end, the Authority's main financial assets on the statement of financial position comprise trade and other receivables, and cash at bank and in hand. At the year end, there were no financial assets off the statement of financial position.

At the year end, the Authority's main financial liabilities on the statement of financial position consisted of amounts due to government, other payables, accruals and deferred income.

Contractual maturity profile of financial liabilities

The presentation of the financial assets and liabilities listed above under the current and non-current headings within the statement of financial position is intended to indicate the timing in which cash flows will arise.

The maturity profile of the financial liabilities of the Authority as at year end is as disclosed in note 12.

Credit risk

The Authority trades only with licensed, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Authority's exposure to impaired debts is not significant. Carrying amounts for trade receivables are stated net of any impairment provisions, when necessary, which are prudently made against debts in respect of which management reasonably believes that recoverability is doubtful. Credit risk with respect to debts is limited due to the number of licensees comprising the Authority's debtors' base. The Authority's cash at bank is placed with quality financial institutions. The Authority has no significant concentration of credit risk.

Liquidity risk

Liquidity risk is the risk the Authority will not be able to meet its financial obligations as they fall due. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal or stressed conditions, without incurring unacceptable losses or risking damage to the Authority's reputation.

Fair values

The carrying amounts of cash at bank and in hand, trade receivables, trade payables and accrued expenses and approximated their fair values.

Interest rate risk

With the exception of cash and bank balances, the value of the Authority's assets and liabilities are not subject to interest-rate movements.

18. COMPARATIVE INFORMATION

Where applicable, comparative information was adjusted to conform with the current year's presentation.

SUPPLEMENTARY STATEMENT

ADMINISTRATIVE AND OTHER EXPENSES

	31 December 2010 EUR	31 December 2009 EUR	EUR
Salaries and national insurance	1,309,617	1,247,064	
Training	394	4,774	
Recruitment expenses	18,660	14,524	
Staff costs		1,328,671	1,266,362
Depreciation		111,021	120,906
Chairman's emoluments and Board honoraria	28,757	28,757	
Subcontracted services	5,851	2,217	
Telecommunications	45,866	37,803	
Water and electricity	26,971	23,536	
Rent	191,721	108,877	
Insurance and licences	20,737	19,786	
Lottery supervisions	10,498	7,819	
Postage, stationery and printing	42,996	39,484	
Office expenses	6,797	7,143	
Motor vehicle running expenses	33,623	36,454	
Bank charges	1,700	2,703	
Cleaning expenses	1,441	58	
Subscriptions	37,991	26,522	
Repairs and maintenance	54,490	21,825	
Entertainment	2,096	2,855	
Overseas travelling	39,225	47,391	
Certification expenses (net)	(12,529)	14,075	
Seminars and conferences	11,455	19,933	
Write off of property, plant and equipment	-	50,772	
Provision for doubtful debts	293,555	-	
General administrative expenses		843,241	498,010
Accountancy fees	34,244	23,954	
Professional fees	202,505	203,900	
Legal fees	5,989	21,744	
Auditors' remuneration	6,490	6,490	
Professional fees		249,228	256,088
Promotional expenses (note i)		124,771	292,526
		2,656,932	2,433,892

- i. Promotional expenses are stated net of amounts recovered of EUR36,530 (2009: EUR53,100) from third parties in respect of participation in promotional activities.



LOTTERIES & GAMING
AUTHORITY MALTA



Lotteries & Gaming Authority

Suite 1, Level 3, TG Complex, Brewery Street, Mrieħel, Birkirkara BKR 3000, Malta
Tel +356 21316590/1/3/4 | Fax +356 21316599 | Email: info@lga.org.mt

www.lga.org.mt