LOTTERIES & GAMING AUTHORITY MALTA

Lotteries & Gaming Authority

Financial Statements - 31 December 2011

LOTTERIES & GAMING AUTHORITY MALTA

contents

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.

Boards Members of the Authority

Mr. Nicholas Xuereb	(Chairman)
Dr. Stanley Portelli LL.D.	
Mr. Jesmond Pace	(Resigned on 30 April 2012)
Dr. Roberta Fenech Gauci LL.D.	
Dr. Pauline Debono LL.D.	

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

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 EUR51,045,561 (2010: EUR48,809,224). After deducting all expenditure of EUR3,324,978 (2010: EUR2,656,932) the Authority registered a surplus for the year of EUR47,726,532 (2010: EUR46,157,629). The Authority transferred EUR47,751,734 (2010: EUR46,821,299) 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

Roberta Fenech Gauci
BOARD MEMBER

25 May 2012

Ernst & Young
Regional Business Centre
Achille Ferris Street
Msida, MSD 1751 Malta

Tel: +356 2134 2134
Fax: +356 2133 0280
E-mail: ey.malta@mt.ey.com
www.ey.com

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 2011 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 information.

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 and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by European Union; 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
Msida, Malta

25 May 2012

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

	Notes	2011 EUR	2010 EUR
Revenue	5	**51,045,561**	48,809,224
Administrative and other expenses	6	**(3,324,978)**	(2,656,932)
Operating surplus		**47,720,583**	46,152,292
Finance income	8	**5,949**	5,337
Surplus for the year		**47,726,532**	46,157,629

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 2011

	Notes	2011 EUR	2010 EUR
ASSETS			
Non-current assets			
Property, plant and equipment	10	**228,301**	258,925
Current assets			
Trade and other receivables	11	**4,427,875**	4,592,312
Cash at bank and in hand	14	**1,129,396**	-
		5,557,271	4,592,312
TOTAL ASSETS		**5,785,572**	4,851,237
EQUITY AND LIABILITIES			
Equity reserve	13	**250,000**	-
National Lottery reserve fund	13	**-**	
		250,000	-
Current liabilities			
Trade and other payables	**12**	**5,535,572**	4,851,237
TOTAL EQUITY AND LIABILITIES		**5,785,572**	4,851,237

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 May 2012 and were signed on their behalf by:

Nicholas Xuereb
CHAIRMAN

Roberta Fenech Gauci
BOARD MEMBER

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

	National lottery fund EUR	Reserve fund EUR	Enquity reserve EUR	Total EUR
At 1 January 2011				
Appropriation from statement of comprehensive income	995,956	46,480,576	250,000	47,726,532
Unclaimed prizes transferred in terms of section 54 of the Lotteries and Other Games Act, Cap.438	315,885	-	-	315,885
Payments made to Government in terms of sections 50 and 59 of the Lotteries and Other Games Act, Cap.438	(1,311,841)	(46,439,893)	-	(47,751,734)
Payment due to government	-	(40,683)	-	(40,683)
At 31 December 2011	**-**	**-**	**250,000**	**250,000**
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	**-**	**-**	**-**	**-**

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 2011

	Note	2011 EUR	2010 EUR
Operating activities			
Surplus for the year		**47,726,532**	46,157,629
Adjustment to reconcile surplus for the year to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment		**92,529**	111,021
Provision for doubtful debts		**244,873**	293,555
Finance income		**(5,949)**	(5,337)
Working capital adjustments:			
Increase in trade and other receivables		**(80,437)**	(714,322)
Increase in trade and other payables		**270,955**	(40,157)
Net cash flows from operating activities		**48,248,503**	45,802,389
Investing activities			
Purchase of property, plant and equipment		**(61,903)**	(39,262)
Interest received		**5,949**	5,337
Net cash flows used in investing activities		**(55,954)**	(33,925)
Financing activities			
Payments made to government		**(47,726,532)**	(46,157,629)
Transfer to equity reserve		**250,000**	-
Net cash flows from financing activities		**(47,476,532)**	(46,157,629)
Net movement in cash and cash equivalents		**716,017**	(389,165)
Cash and cash equivalents at 1 January		**(47,238)**	341,927
Cash and cash equivalents at 31 December	**14**	**668,779**	(47,238)

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 2011:

- IAS 24 Amendment - Related party disclosures
- IAS 32 Amendment - Classification of rights issue
- Improvements to IFRSs issued May 2010
- IFRIC 14 Amendment – Prepayments of a Minimum Funding Requirement
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

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

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 7 Amendment – Transfer of financial assets disclosures (effective for financial years beginning on or after 1 July 2011).

2.2 CHANGES IN ACCOUNTING POLICIES - continued

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

- IFRS 7 Amendment – Offsetting of financial assets and financial liabilities (effective for financial years beginning on or after 1 January 2013).
- IFRS 7 Amendment – Disclosure for initial application of IFRS 9 (effective for financial years beginning on or after 1 January 2015).
- IFRS 9 – Financial Instruments (effective for financial years beginning on or after 1 January 2015).
- IFRS 10 – Consolidated financial statements (effective for financial years beginning on or after 1 January 2013).
- IFRS 11 – Joint Arrangements (effective for financial years beginning on or after 1 January 2013).
- IFRS 12 – Disclosures of interests in other entities (effective for financial years beginning on or after 1 January 2013).
- IFRS 13- Fair Value Measurement (effective for financial years beginning on or after 1 January 2013).
- IAS 1 Amendments – Presentation of items of other comprehensive income (effective for financial years beginning on or after 1 July 2012).
- IAS 12 Amendments – Recovery of underlying assets (effective for financial years beginning on or after 1 January 2012).
- IAS 19 Amendments – Employee Benefits (effective for financial years beginning on or after 1 January 2013).
- IAS 27 Revised –Separate financial statements (effective for financial years beginning on or after 1 January 2013).
- IAS 28 Revised – Investments in associates and joint ventures (effective for financial years beginning on or after 1 January 2013).
- IAS 32 Amendments – Offsetting of financial assets and financial liabilities presentation (effective for financial years beginning on or after 1 January 2014).
- IFRIC 20 – Stripping costs in the production phase of a surface mine (effective for financial years 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 licenses, 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.

Application fees
Revenue is recognised upon receiving the consideration together with a valid application form.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

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 and/or accumulated impairment losses, if any. 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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment - continued

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.

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'.

5. REVENUE

Revenue comprises the following:

	2011 EUR	2010 EUR
Licence fees	**2,359,513**	1,355,567
Duties	**47,612,244**	46,675,760
Application fees	**344,118**	293,064
Other	**729,686**	484,833
	51,045,561	48,809,224

6. EXPENSES BY NATURE

	2011 EUR	2010 EUR
Auditor's remuneration	**6,608**	6,490
Chairman's emoluments and Board honoraria	**25,263**	28,757
Staff costs (note 7)	**1,668,180**	1,309,617
General administrative expenses	**576,657**	539,983
Professional fees	**494,737**	242,738
Promotional expenses (note i)	**216,131**	124,771
Depreciation on property, plant and equipment (note 10)	**92,529**	111,021
Provision for doubtful debts (note 11)	**244,873**	293,555
Total administrative and other expenses (Statement I)	**3,324,978**	2,656,932

i. Promotional expenses are stated net of amounts recovered of EUR36,530 (2010: EUR36,530) from third parties in respect of participation in promotional activities.

7. EMPLOYEE INFORMATION

a. **Staff Costs**

The total employment costs were as follows:

	2011 EUR	2010 EUR
Salaries and social security costs	**1,634,243**	1,289,350
Fringe benefits	**33,937**	20,267
	1,668,180	1,309,617

7. EMPLOYEE INFORMATION - continued

b. **Staff numbers**

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

	2011 Number	2010 Number
HR and administrative	**12**	8
Legal affairs	**6**	5
Inspectorate	**18**	15
Pre and post licensing compliance	**17**	14
Information management and analysis	**5**	5
Total	**58**	47

8. FINANCE INCOME

	2011 EUR	2010 EUR
Interest receivable on bank balances	**5,949**	5,337

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

	Furniture and fittings EUR	Office equipment EUR	Plant and machinery EUR	Motor vehicles EUR	Computer equipment EUR	Total EUR
Cost						
At 1 January 2010	252,175	71,953	3,089	128,722	283,375	739,314
Additions	6,124	25,009	-	-	8,129	39,262
At 31 December 2010	258,299	96,962	3,089	128,722	291,504	778,576
Additions	2,023	10,571		24,500	36,880	73,974
Disposals	-	-	-	(30,072)	-	(30,072)
At 31 December 2010	**260,322**	**107,533**	**3,089**	**123,150**	**328,384**	**822,478**
Depreciation						
At 1 January 2010	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
Depreciation charge for the year	21,627	17,221	515	9,500	43,666	92,529
Depreciation released On disposal	-	-	-	(18,003)	-	(18,003)
At 31 December 2010	**89,072**	**107,533**	**2,060**	**101,218**	**294,294**	**594,177**
Net book value						
At 31 December 2011	**171,250**	**-**	**1,029**	**21,932**	**34,090**	**228,301**
At 31 December 2010	190,854	6,650	1,544	19,001	40,876	258,925

11. TRADE AND OTHER RECEIVABLES

	2011 EUR	2010 EUR
Duties and licences receivable (note i)	**4,328,451**	4,496,322
Prepaid expenses	**99,424**	95,990
	4,427,875	4,592,312

i. At 31 December 2011, duties and licenses receivable at nominal value of EUR538,428 (2010: EUR293,555) were impaired and fully provided for (Note 6).

Provision for doubtful debts	**2011 EUR**	2010 EUR
Opening balance	**293,555**	**-**
Increase in provision for doubtful debts	**244,873**	293,555
Closing balance	**538,428**	293,555

11. TRADE AND OTHER RECEIVABLES - continued

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

			Past due but not impaired			
	Total EUR	Neither past due nor impaired EUR	<30 days EUR	30-60 days EUR	60-90 days EUR	90 days EUR
2011	**4,328,451**	**3,702,595**	**182,389**	**212,438**	**66,941**	**164,088**
2010	4,496,322	3,779,284	255,367	228,175	42,050	191,446

12. TRADE AND OTHER PAYABLES

	2011 EUR	2010 EUR
Amounts due to government (note i)	**3,718,679**	3,680,138
Amounts due to government (note ii)	**460,617**	44,275
Other payables	**127,831**	179,286
Bank balances (note ii)	**-**	2,963
Accruals	**131,270**	18,575
Deferred income	**1,097,175**	926,000
	5,535,572	4,851,237

i. Amounts due to government are unsecured, interest free and have no fixed date of repayment. These amounts are payable the Government of Malta under the provisions of the Lotteries and Other Games Act, Cap. 438 of the Laws of Malta.

ii. Unclaimed players deposits are passed on to the Authority by a gaming operator, normally in circumstances where an operator closes its business. The law stipulates that money which can be potentially claimed by the players is held intact and are included in the financial statements with Cash at bank and in hand. After the stipulated time of 36 months, if the players do not claim their winnings, the money is transferred to the Ministry of Finance.

13. RESERVES

a. Equity Reserve
Funds for the creation of the Reserve have been retained from the gaming taxes collected during the year 2011. This was transferred to Equity reserve with approval of the Ministry of Finance.

b. 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.

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:

	2011 EUR	2010 EUR
Cash at bank and in hand	**1,129,396**	-
Bank balances (note 12)	**-**	(2,963)
Unclaimed deposits (note 12)	**(460,617)**	(44,275)
	668,779	(47,238)

i. Balance includes unclaimed players deposits amounting to EUR460,617 (2010: EUR44,275) that are passed on to the Authority by a gaming operator, normally in circumstances where an operator closes its business. The law stipulates that money which can be potentially claimed by the players is held intact.

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 2011, are as follows:

	2011 EUR
Within 1 year	**184,823**
After 1 year but not more than five years	**446,656**
	631,479

As at 31 December 2011, 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	**2011**	**47,726,532**	**3,718,679**	**Surplus for the year**
Government of Malta - The Treasury	2010	46,157,629	3,680,138	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 EUR25,263 (2010: EUR28,757).

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.

Supplementary Statement

ADMINISTRATIVE AND OTHER EXPENSES

	31 December 2011		31 December 2010	
	EUR	**EUR**	EUR	EUR
Salaries and national insurance	**1,668,180**		1,309,617	
Training	**8,244**		394	
Recruitment expenses	**5,742**		18,660	
Staff costs		**1,682,166**		1,328,671
Depreciation		**92,529**		111,021
Chairman's emoluments and Board honoraria	**25,263**		28,757	
Subcontracted services	**11,729**		5,851	
Telecommunications	**31,809**		45,866	
Water and electricity	**31,910**		26,971	
Rent	**184,823**		191,721	
Insurance and licences	**25,295**		20,737	
Lottery supervisions	**26,705**		10,498	
Postage, stationery and printing	**37,539**		42,996	
Office expenses	**7,564**		6,797	
Motor vehicle running expenses	**30,539**		33,623	
Bank charges	**2,813**		1,700	
Cleaning expenses	**155**		1,441	
Subscriptions	**36,700**		37,991	
Repairs and maintenance	**55,062**		54,490	
Entertainment	**2,068**		2,096	
Overseas travelling	**59,270**		39,225	
Certification expenses (net)	**818**		(12,529)	
Seminars and conferences	**16,843**		11,455	
Write off of property, plant and equipment	**1,029**		-	
Provision for doubtful debts	**244,873**		293,555	
General administrative expenses		**832,807**		843,241
Accountancy fees	**34,893**		34,244	
Professional fees	**459,725**		202,505	
Legal fees	**119**		5,989	
Auditors' remuneration	**6,608**		6,490	
Professional fees		**501,345**		249,228
Promotional expenses (note i)		**216,131**		124,771
		3,324,978		2,656,932

i. Promotional expenses are stated net of amounts recovered of EUR43,730 (2010: EUR36,530) from third parties in respect of participation in promotional activities.

LOTTERIES & GAMING
AUTHORITY MALTA

LOTTERIES & GAMING AUTHORITY MALTA

Lotteries & Gaming Authority
Suite 1, Level 3, TG Complex, Brewery Street,
Mriehel, Birkirkara BKR 3000, Malta
Tel +356 2131 6590/1/3/4 | Fax +356 2131 6599 | Email: info@lga.org.mt

www.lga.org.mt