

LOTTERIES AND GAMING AUTHORITY

**Annual Report
and
Financial Statements**

31 December 2013

LOTTERIES AND GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2013

CONTENTS

	Pages
General Information	2
Report of the Board Members of the Authority	3
Independent Auditor's Report	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 18

LOTTERIES AND GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2013

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

Mr. Joseph Cuschieri	(Chairman -- appointed on 6 November 2013)
Mr. Mario Galea	(Chairman--appointed on 16 May 2013, resigned on 19 October 2013)
Mr. Nicholas Xuereb	(Chairman – resigned on 13 May 2013)
Dr. Chris Cilia	(Deputy Chairman – appointed on 16 May 2013)
Dr. Rachel Tua	(Appointed on 16 May 2013)
Mr. Caesar Grech	(Appointed on 16 May 2013)
Ms. Ruth Trapani Galea	(Appointed on 16 May 2013)
Dr. Stanley Portelli LL.D.	(Resigned on 13 May 2013)
Dr. Roberta Fenech Gauci LL.D.	(Resigned on 13 May 2013)
Dr. Pauline Debono LL.D.	(Resigned on 13 May 2013)

Chief Executive Officer

Mr. Joseph Cuschieri	(Appointed on 21 October 2013)
Mr. Reuben Portanier	(Resigned on 14 October 2013)

Secretary of the Board of the Authority

Dr. Matthew Bondin	(Appointed on 16 May 2013)
Dr. Veronica Galea Debono LL.D.	(Resigned on 13 May 2013)

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

LOTTERIES AND GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2013

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 2013.

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 EUR52,723,418 (2012: EUR52,673,284). After deducting all expenditure of EUR2,920,307 (2012: EUR3,263,899) the Authority registered a surplus for the year of EUR49,888,006 (2012: EUR49,450,073). The Authority transferred EUR48,774,199 (2012: EUR47,486,409) 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:



MR. JOSEPH CUSCHIERI
Chairman

2 May 2014



DR. CHRIS CLIA
Deputy Chairman



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

Tel: +356 2134 2134
Fax: +356 2133 0280
ey.malta@mt.ey.com
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 2013 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 2013, 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

2 May 2014

LOTTERIES AND GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2013

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2013

	Notes	2013 EUR	2012 EUR
Revenue	5	52,723,418	52,673,284
Administrative and other expenses	6	(2,920,307)	(3,263,899)
Operating surplus		49,803,111	49,409,385
Finance income	8	84,895	40,688
Surplus for the year		49,888,006	49,450,073

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

LOTTERIES AND GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2013

STATEMENT OF FINANCIAL POSITION
as at 31 December 2013

	Notes	2013 EUR	2012 EUR
ASSETS			
Non-current assets			
Property, plant and equipment	10	172,974	204,937
Current assets			
Trade and other receivables	11	5,644,280	5,029,166
Cash at bank and in hand	14	7,870,534	5,676,298
		13,514,814	10,705,464
TOTAL ASSETS		13,687,788	10,910,401
EQUITY AND LIABILITIES			
Equity reserve	12	250,000	250,000
National Lottery Reserve Fund	12	-	-
		250,000	250,000
Current liabilities			
Trade and other payables	13	13,437,788	10,660,401
TOTAL EQUITY AND LIABILITIES		13,687,788	10,910,401

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 2 May 2014 and were signed on their behalf by:

MR. JOSEPH CUSCHIERI
Chairman

DR. CHRIS GILIA
Deputy Chairman

LOTTERIES AND GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2013

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2013

	National Lottery Reserve Fund EUR	Reserve Fund EUR	Equity reserve EUR	Total EUR
At 1 January 2013	-	-	250,000	250,000
Appropriation from statement of comprehensive income	965,532	48,922,474	-	49,888,006
Unclaimed prizes transferred in terms of section 54 of the Lotteries and Other Games Act, Cap. 438	321,968	-	-	321,968
Payments made to Government in terms of sections 50 and 59 of the Lotteries and Other Games Act, Cap. 438	(1,287,500)	(47,486,699)	-	(48,774,199)
Payment due to government	-	(1,435,775)	-	(1,435,775)
At 31 December 2013	-	-	250,000	250,000
At 1 January 2012	-	-	250,000	250,000
Appropriation from statement of comprehensive income	1,037,641	48,412,432	-	49,450,073
Unclaimed prizes transferred in terms of section 54 of the Lotteries and Other Games Act, Cap. 438	368,157	-	-	368,157
Payments made to Government in terms of sections 50 and 59 of the Lotteries and Other Games Act, Cap. 438	(1,405,798)	(46,080,611)	-	(47,486,409)
Payment due to government	-	(2,331,821)	-	(2,331,821)
At 31 December 2012	-	-	250,000	250,000

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

LOTTERIES AND GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2013

STATEMENT OF CASH FLOWS
for the year ended 31 December 2013

	Note	2013 EUR	2012 EUR
Operating activities			
Surplus for the year		49,888,006	49,450,073
Adjustment to reconcile surplus for the year to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment		71,161	87,128
(Decrease)/increase in provision for doubtful debts		(202,576)	90,266
Profit on disposal of property, plant and equipment		-	(4,603)
Finance income		(84,895)	(40,688)
Working capital adjustments:			
Increase in trade and other receivables		(412,538)	(684,786)
Increase in trade and other payables		1,156,713	825,279
Net cash flows from operating activities		50,415,871	49,722,669
Investing activities			
Purchase of property, plant and equipment		(39,198)	(66,095)
Proceeds from disposal of property, plant and equipment		-	6,934
Interest received		84,895	33,917
Net cash flows from/(used in) investing activities		45,697	(25,244)
Financing activities			
Payments made to government		(48,774,199)	(47,486,409)
Net cash flows used in financing activities		(48,774,199)	(47,486,409)
Net movement in cash and cash equivalents		1,687,369	2,211,016
Cash and cash equivalents at 1 January		2,879,795	668,779
Cash and cash equivalents at 31 December	14	4,567,164	2,879,795

The accounting policies and explanatory notes on pages 9 to 18 form 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 principal accounting policies adopted in the preparation of these financial statements are set out below:

Standards, interpretations and amendments to published standards as endorsed by the European Union effective in the current year

The accounting policies are consistent with those of the previous financial year, except for the following standards, interpretations and amendments effective as of 1 January 2013.

- IAS 27 (Revised) -- Separate financial statements
- IAS 28 (Revised) -- Investments in associates and joint ventures
- IFRS 7 (Amendment) Financial Instruments: Disclosures -- Offsetting of financial assets and financial liabilities
- IFRS 13 Fair Value Measurement
- IFRIC 20 -- Stripping costs in the production phase of a surface mine

The adoption of these standards, interpretations and amendments did not have a significant impact on the financial statements of the group and the company.

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. None of these standards, interpretations and amendments is expected to have an impact on the financial position or performance of the company.

- IFRS 10 Consolidated Financial Statements (effective for financial years beginning on or after 1 January 2014)
- IFRS 11 Joint Arrangements (effective for financial years beginning on or after 1 January 2014)
- IFRS 12 Disclosure Of Interests In Other Entities (effective for financial years beginning on or after 1 January 2014)
- IAS 32 (Amendments) -- Financial Instruments -- Presentation -- Offsetting of financial assets and financial liabilities presentation (effective for financial years beginning on or after 1 January 2014)
- Investment entities (Amendments to IFRS 10, IFRS 12 and IAS 27 (effective for financial years beginning on or after 1 January 2014)

NOTES TO THE FINANCIAL STATEMENTS - continued

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES - continued

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

- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) (effective for financial year beginning on or after 1 January 2014)
- IAS 39 (Amendments) Novation of Derivatives and Continuation of Hedge Accounting (effective for financial years on or after 1 January 2014)

Standards, interpretations and amendments that are not yet endorsed by the European Union

- IFRS 9 Financial Instruments – Including subsequent amendments to IFRS 9 and IFRS 7 (the effective date for financial years beginning on or after 1 January 2015 was removed on 19 November 2013 by the IASB and an effective date was not yet decided)
- IFRIC 12 Levies (effective for financial years beginning on or after 1 January 2014)
- IAS 19 (Amendments) Employee Benefits (effective for financial years beginning in 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.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Leases - continued

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:

	2013	2012
	EUR	EUR
Licence fees	3,524,345	3,043,367
Application fees	277,614	235,235
Other	319,225	626,595
Total Authority fees	4,121,184	3,905,197
Duties	48,602,234	48,768,087
Total Revenue	52,723,418	52,673,284

LOTTERIES AND GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2013

NOTES TO THE FINANCIAL STATEMENTS - continued

6. EXPENSES BY NATURE

	2013	2012
	EUR	EUR
Auditor's remuneration	21,830	6,608
Chairman's emoluments and Board honoraria	29,823	18,742
Staff costs (note 7)	1,921,797	1,829,053
General administrative expenses	733,660	797,173
Professional fees	149,773	233,547
Promotional expenses (note i)	194,839	201,382
Depreciation on property, plant and equipment (note 10)	71,161	87,128
Provision for doubtful debts (note 11)	(202,576)	90,266
Total administrative and other expenses (Statement I)	2,920,307	3,263,899

- i. Promotional expenses are stated net of amounts recovered of EUR30,700 (2012: EUR33,650) from third parties in respect of participation in promotional activities.

7. EMPLOYEE INFORMATION

a. Staff costs

The total employment costs were as follows:

	2013	2012
	EUR	EUR
Salaries and social security costs	1,885,359	1,790,516
Fringe benefits	36,438	38,537
	1,921,797	1,829,053

b. Staff numbers

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

	2013	2012
	Number	Number
HR and administrative	13	12
Legal affairs	3	5
Inspectorate	22	21
Pre and post licensing compliance	16	19
Information management and analysis	3	3
Total	57	60

LOTTERIES AND GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2013

NOTES TO THE FINANCIAL STATEMENTS - continued

8. FINANCE INCOME

	2013	2012
	EUR	EUR
Interest receivable on bank balances	84,895	40,688

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.

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 2012	229,677	138,178	3,089	123,150	328,384	822,478
Additions	2,622	4,133	15,030	-	44,310	66,095
Disposals	-	-	-	(11,647)	-	(11,647)
At 31 December 2012	232,299	142,311	18,119	111,503	372,694	876,926
Additions	3,031	3,438	-	12,016	20,713	39,198
At 31 December 2013	235,330	145,749	18,119	123,519	393,407	916,124
Depreciation						
At 1 January 2012	99,188	107,533	2,060	101,218	284,178	594,177
Depreciation charge for the year	23,850	20,497	3,020	4,900	34,861	87,128
Depreciation released On disposal	-	-	-	(9,316)	-	(9,316)
At 31 December 2012	123,038	128,030	5,080	96,802	319,039	671,989
Depreciation charge for the year	23,040	10,290	3,020	7,303	27,508	71,161
At 31 December 2013	146,078	138,320	8,100	104,105	346,547	743,150
Net book value						
At 31 December 2013	89,252	7,429	10,019	19,414	46,860	172,974
At 31 December 2012	109,261	14,281	13,039	14,701	53,655	204,937

LOTTERIES AND GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2013

NOTES TO THE FINANCIAL STATEMENTS - continued

11. TRADE AND OTHER RECEIVABLES

	2013	2012
	EUR	EUR
Duties and licences receivable (note i)	5,591,521	5,009,049
Other receivables	33,605	-
Prepaid expenses	12,383	13,346
Accrued interest	6,771	6,771
	5,644,280	5,029,166

- i. At 31 December 2013, duties and licenses receivable at nominal value of EUR426,118 (2012: EUR628,694) were impaired and fully provided for (Note 6).

Provision for doubtful debts	2013	2012
	EUR	EUR
Opening balance	628,694	538,428
(Decrease)/increase in provision for doubtful debts	(202,576)	90,266
Closing balance	426,118	628,694

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

	Total	Neither past due nor impaired	Past due but not impaired			
			<30 days	31-60 days	61-90 days	>90 days
	EUR	EUR	EUR	EUR	EUR	EUR
2013	5,591,521	3,747,542	986,790	562,101	26,148	268,940
2012	5,009,049	4,496,452	101,360	169,625	169,576	72,036

12. RESERVES

a. Equity reserve

Funds for the creation of the Reserve have been retained from the gaming taxes collected during the year 2013. 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.

LOTTERIES AND GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2013

NOTES TO THE FINANCIAL STATEMENTS - continued

13. TRADE AND OTHER PAYABLES

	2013	2012
	EUR	EUR
Amounts due to government (note i)	7,486,026	6,100,251
Unclaimed deposits (note ii)	3,303,370	2,796,503
Other payables (note iii)	766,680	191,579
Accruals	54,812	131,293
Deferred income	1,826,900	1,440,775
	13,437,788	10,660,401

- 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. Balance includes unclaimed player deposits and dormant accounts from Remote Gaming that are passed on to the Authority by the gaming licensee when no transactions have been recorded on players' account for thirty months. The money is kept in a separate bank account at the Authority's discretion, to be used for the setting up and operation of the Responsible Gaming Foundation or such other use as may be determined by the Board.
- iii. Other payables includes the amount of EUR468,400 (2012: EUR Nil) being duty held by the Authority due to investigations going on in respect of an operator. Other payables also include the amount of EUR100,000 (2012: EUR Nil) transferred in respect of Responsible Gaming Fund.

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:

	2013	2012
	EUR	EUR
Cash at bank and in hand (note i)	7,870,534	5,676,298
Unclaimed deposits (note 13)	(3,303,370)	(2,796,503)
	4,567,164	2,879,795

- i. Balance includes unclaimed players deposits amounting to EUR3,303,370 (2012: EUR2,796,503) 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.

LOTTERIES AND GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2013

NOTES TO THE FINANCIAL STATEMENTS - continued

15. COMMITMENTS

The Authority operates from leased premises in Birkirkara. The future minimum rentals payable under this operating lease as at 31 December 2013 and 31 December 2012, are as follows:

	2013	2012
	EUR	EUR
Within 1 year	65,263	156,630
After 1 year but not more than five years	-	65,263
	65,263	221,893

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	2013	49,888,006	7,486,026	Surplus for the year
Government of Malta - The Treasury	2012	49,450,073	6,100,251	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 EUR29,823 (2012: EUR18,742).

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 13.

NOTES TO THE FINANCIAL STATEMENTS - continued

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

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 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.

LOTTERIES AND GAMING AUTHORITY
Supplementary Statement for the year ended 31 December 2013

SUPPLEMENTARY STATEMENT

	Statement
Administrative and other expenses	I

ADMINISTRATIVE AND OTHER EXPENSES

	31 December 2013		31 December 2012	
	EUR	EUR	EUR	EUR
Salaries and national insurance	1,921,797		1,829,053	
Training	40,105		46,439	
Recruitment expenses	1,250		3,213	
Staff costs		1,963,152		1,878,705
Depreciation		71,161		87,128
Chairman's emoluments and Board honoraria	29,823		18,742	
Subcontracted services	46,217		42,310	
Telecommunications	37,981		33,241	
Water and electricity	31,990		32,415	
Rent	158,054		168,378	
Insurance and licences	12,629		20,671	
Lottery supervisions	37,925		25,056	
Postage, stationery and printing	39,497		44,580	
Office expenses	7,885		8,244	
Motor vehicle running expenses	26,317		34,200	
Bank charges	2,225		1,881	
Cleaning expenses	457		770	
Subscriptions	39,417		41,242	
Repairs and maintenance	50,303		42,054	
Entertainment	3,075		3,608	
Overseas travelling	69,965		128,082	
Seminars and conferences	38,888		30,348	
Regulatory development expenses	89,480		95,044	
Profit on disposal of property, plant and equipment	-		(4,603)	
Provision for doubtful debts	(202,576)		90,266	
General administrative expenses		519,552		856,529
Accountancy fees	1,451		1,487	
Professional fees	148,306		232,046	
Legal fees	16		14	
Auditors' remuneration	21,830		6,608	
Professional fees		171,603		240,155
Promotional expenses (note i)		194,839		201,382
		2,920,307		3,263,899

- i. Promotional expenses are stated net of amounts recovered of EUR30,700 (2012: EUR33,650) from third parties in respect of participation in promotional activities.