

MALTA GAMING AUTHORITY

**Annual Report
and
Financial Statements**

31 December 2015

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MALTA GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2015

GENERAL INFORMATION

Registration

The Malta 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)
Dr. Chris Cilia	(Deputy Chairman)
Dr. Rachel Tua	(resigned on 30 April 2015)
Mr. Caesar Grech	
Ms. Ruth Trapani Galea	
Ms. Julia Scerri Ferrante	(appointed on 1 July 2015)

Chief Executive Officer

Mr. Joseph Cuschieri

Secretary of the Board of the Authority

Dr. Matthew Bondin

Head Office

Malta Gaming Authority Building
SCM 02-03, Level 4
SmartCity Malta
Ricasoli SCM1001

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 2015.

Principal activity

The Malta 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 EUR60,894,130 (2014: EUR58,388,232). After deducting all expenditure of EUR8,634,566 (2014: EUR8,948,005) the Authority registered a surplus for the year of EUR52,302,088 (2014: EUR49,553,560). The Authority transferred EUR55,830,907 (2014: EUR53,210,852) 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 Minister for the Economy, Investment and Small Business 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

4 May 2016



DR. CHRIS CILIA
Deputy Chairman

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

We have audited the accompanying financial statements of the Malta Gaming Authority ('the Authority'), set on pages 5 to 19, which comprise the statement of financial position as at 31 December 2015 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 2015, 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.

Emphasis of Matter

We draw attention to Note 19 - Contingent Liabilities to the financial statements which describes the uncertainty related to claims made by the operators against the Authority. Our opinion is not qualified in respect of this matter.



*This copy of the audit report has been signed by
Shawn Falzon for and on behalf of*

Ernst & Young Malta Limited
Certified Public Accountants

4 May 2016

MALTA GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2015

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2015

	Notes	2015 EUR	2014 EUR
Revenue	5	60,894,130	58,388,232
Administrative and other expenses	6	(8,634,566)	(5,648,005)
Operating surplus		52,259,564	52,740,227
Provision for claims	14	-	(3,300,000)
Finance income	8	42,524	113,333
Surplus for the year		52,302,088	49,553,560

The accounting policies and explanatory notes on pages 9 to 19 form an integral part of the financial statements.

MALTA GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2015


STATEMENT OF FINANCIAL POSITION
as at 31 December 2015

	Notes	2015 EUR	2014 EUR
ASSETS			
Non-current assets			
Property, plant and equipment	10	3,823,975	315,735
Current assets			
Trade and other receivables	11	7,083,392	7,039,298
Cash at bank and in hand	15	4,756,308	9,174,582
		11,839,700	16,213,880
TOTAL ASSETS		15,663,675	16,529,615
EQUITY AND LIABILITIES			
Equity reserve	12	250,000	250,000
Reserve Fund	12	-	-
National Lottery Reserve Fund	12	-	-
		250,000	250,000
Non-Current Liabilities			
Provision for claims	14	3,300,000	3,300,000
Current liabilities			
Trade and other payables	13	12,113,675	12,979,615
Total liabilities		15,413,675	16,279,615
TOTAL EQUITY AND LIABILITIES		15,663,675	16,529,615

The accounting policies and explanatory notes on pages 9 to 19 form an integral part of the financial statements.

The financial statements on pages 5 to 19 have been authorised for issue by the Board Members of the Authority on 4 May 2016 and were signed on their behalf by:


MR. JOSEPH CUSCHIERI
 Chairman


DR. CHRIS CILIA
 Deputy Chairman

MALTA GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2015

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015

	National Lottery Reserve Fund EUR	Reserve Fund EUR	Equity reserve EUR	Total EUR
At 1 January 2015	-	-	250,000	250,000
Appropriation from statement of comprehensive income	955,899	51,346,189	-	52,302,088
Unclaimed prizes transferred in terms of section 59 of the Lotteries and Other Games Act, Cap. 438	649,042	-	-	649,042
Payments made to/or on behalf of Government in terms of sections 50 of the Lotteries and other Games Act, Cap. 438	(1,604,941)	(54,225,966)	-	(55,830,907)
Other payments from Government	-	2,879,777	-	2,879,777
At 31 December 2015	-	-	250,000	250,000
At 1 January 2014	-	-	250,000	250,000
Appropriation from statement of comprehensive income	968,063	48,585,497	-	49,553,560
Unclaimed prizes transferred in terms of section 54 of the Lotteries and Other Games Act, Cap. 438	972,656	-	-	972,656
Payments made to Government in terms of sections 50 and 59 of the Lotteries and Other Games Act, Cap. 438	(1,940,719)	(51,270,133)	-	(53,210,852)
Other payments from Government	-	2,684,636	-	2,684,636
At 31 December 2014	-	-	250,000	250,000

The accounting policies and explanatory notes on pages 9 to 19 form an integral part of the financial statements.

MALTA GAMING AUTHORITY
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STATEMENT OF CASH FLOWS
for the year ended 31 December 2015

	Note	2015 EUR	2014 EUR
Operating activities			
Surplus for the year		52,302,088	49,553,560
Adjustment to reconcile surplus for the year to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment		304,418	116,644
Increase in provision for doubtful debts		337,459	255,208
(Loss)/profit on disposal of property, plant and equipment		52,421	(6,103)
Provision for claims		-	3,300,000
Finance income		(42,524)	(113,333)
Working capital adjustments:			
Increase in trade and other receivables		(398,586)	(1,639,964)
Increase in trade and other payables		2,662,942	3,199,119
Net cash flows from operating activities		55,218,218	54,665,131
Investing activities			
Purchase of property, plant and equipment		(3,865,079)	(259,964)
Proceeds from disposal of property, plant and equipment		-	6,662
Interest received		59,557	103,071
Net cash flows used in investing activities		(3,805,522)	(150,231)
Financing activities			
Payments made to Government		(55,830,970)	(53,210,852)
Net cash flows used in financing activities		(55,830,970)	(53,210,852)
Net movement in cash and cash equivalents		(4,418,274)	1,304,048
Cash and cash equivalents at 1 January		9,174,582	7,870,534
Cash and cash equivalents at 31 December	15	4,756,308	9,174,582

The accounting policies and explanatory notes on pages 9 to 19 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Malta 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.

3.2 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 2015.

- IAS 19 Amendment – Employee Benefits (effective for financial years beginning on or after 1 July 2014)
- Improvements to IFRS (2010 – 2012 Cycle) (effective for financial years beginning on or after 1 July 2014)
- Improvements to IFRS (2011 – 2013 Cycle) (effective for financial years beginning on or after 1 July 2014)

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.

- IAS 27 (Amendments) Equity Method in Separate Financial Statements (effective for financial years beginning on or after 1 January 2016)
- IAS 16 and IAS 38 (Amendments) Clarification of Acceptable Methods of Depreciation and Amortisation (effective for financial years beginning on or after 1 January 2016)
- IFRS 11 (Amendments) Accounting for Acquisitions of Interests in Joint Operations (effective for financial years beginning on or after 1 January 2016)
- IAS 1 (Amendments) Disclosure Initiative (effective for financial years beginning on or after 1 January 2016)

NOTES TO THE FINANCIAL STATEMENTS - continued

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES - continued

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

- IAS 16 and IAS 41 (Amendments) Bearer Plants (effective for financial years beginning on or after 1 January 2016)
- Improvements to IFRS (2012 – 2014 Cycle) (effective for financial years beginning on or after 1 January 2016)

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

- IFRS 9 - Financial instruments (effective for financial years beginning on or after 1 January 2018)
- IFRS 16 – Leases (effective for financial years beginning on or after 1 January 2019)
- IFRS 14 – Regulatory deferral accounts (effective for financial years beginning on or after 1 January 2016)
- IFRS 15 – Revenue from contracts with customers (effective for financial years beginning on or after 1 January 2018)
- IFRS 10, IFRS 12, and IAS 28 (Amendments) Investment Entities: Applying Consolidation Exception (effective for financial years beginning on or after 1 January 2016)
- IAS 12 – Recognition of Deferred Tax Assets on Unrealized Losses (Amendments) (effective for financial years beginning on or after 1 January 2017)

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

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES - 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
Leasehold improvements	10

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

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES - 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.

Provisions for claims and contingent liabilities

Claims have been made against the Authority by third parties. Judgement is required to determine whether these claims will require an outflow of resources and whether these could be reliably estimated. The Authority quantifies the claims based on the damages and determines the probability of the outflow based on the advice provided by the legal counsel.

Where the Authority believes that the claims would probably result in an outflow of resources and can be reliably estimated, a provision is recognised. Where there is a possible obligation, but probably there will not be an outflow of resources, no provision is recognised whilst a contingent liability is disclosed.

In the opinion of the Board, the accounting estimates, assumptions and judgements other than those mentioned above, 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'.

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NOTES TO THE FINANCIAL STATEMENTS – continued

5. REVENUE

Revenue comprises the following:

	2015	2014
	EUR	EUR
License fees	5,217,755	5,119,198
Application fees	233,204	294,183
Other	264,269	359,096
Total Authority fees	5,715,228	5,772,477
Duties	55,178,902	52,615,755
Total revenue	60,894,130	58,388,232

Number of licences in issue at end of year:

	2015	2014
	No.	No.
Commercial Bingo Houses	4	4
Casinos	4	3
Gaming Parlours	46	42
National Lotteries	1	1
Remote online gaming licences	490	469
Total number of licenses at end of year	545	519

6. EXPENSES BY NATURE

	2015	2014
	EUR	EUR
Auditor's remuneration	14,160	29,638
Chairman's emoluments and Board honoraria	32,710	34,910
Staff costs (note 7)	4,076,733	2,670,568
General administrative expenses	1,342,070	880,217
Professional fees	1,240,909	1,069,109
Promotional expenses	748,862	570,637
Depreciation on property, plant and equipment (note 10)	304,418	116,644
Provision for doubtful debts (note 11)	337,459	225,208
Contributions to other entities	537,245	51,074
Total administrative and other expenses (Statement I)	8,634,566	5,648,005

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NOTES TO THE FINANCIAL STATEMENTS – continued

7. EMPLOYEE INFORMATION

a. Staff costs

The total employment costs were as follows:

	2015	2014
	EUR	EUR
Salaries	3,626,237	2,397,408
Social Security costs	244,114	157,377
Fringe benefits	129,827	98,209
	4,000,178	2,652,994
Other related costs	190,210	72,914
	4,190,388	2,725,908
Recharged salaries to Responsible Gaming Foundation	(114,355)	(55,340)
	4,076,033	2,670,568

b. Staff numbers

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

	2015	2014
	Number	Number
Finance	16	17
Legal affairs	5	5
Enforcement	37	25
Regulatory	18	8
Information Systems	13	6
Operations	21	11
Chairman's Office	3	2
Programme Management & Strategy	4	-
Other	20	12
Total	137	86

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NOTES TO THE FINANCIAL STATEMENTS – continued

8. FINANCE INCOME

	2015	2014
	EUR	EUR
Interest receivable on bank balances	42,524	113,333

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

	Leasehold Improvements EUR	Furniture and fittings EUR	Office equipment EUR	Motor vehicles EUR	Computer equipment EUR	Total EUR
Cost						
At 1 January 2014	-	235,330	163,868	123,519	393,407	916,124
Additions	-	5,732	10,867	67,830	175,535	259,964
Disposals	-	-	-	(75,448)	(839)	(76,287)
At 31 December 2014	-	241,062	174,735	115,901	568,103	1,099,801
Additions	2,862,218	661,958	32,360	-	308,543	3,865,079
Disposals	-	(244,896)	-	-	-	(244,896)
At 31 December 2015	2,862,218	658,124	207,095	115,901	876,646	4,719,984
Depreciation						
At 1 January 2014	-	146,078	146,420	104,105	346,547	743,150
Depreciation charge for the year	-	21,890	8,305	20,869	65,580	116,644
Depreciation released on disposals	-	-	-	(75,448)	(280)	(75,728)
At 31 December 2014	-	167,968	154,725	49,526	411,847	784,066
Depreciation charge for the year	127,412	53,804	9,642	20,869	92,691	304,418
Depreciation released on disposals	-	(192,475)	-	-	-	(192,475)
At 31 December 2015	127,412	29,297	164,367	70,395	504,538	896,009
Net book value						
At 31 December 2015	2,734,806	628,827	42,728	45,506	372,108	3,823,975
At 31 December 2014	-	73,094	20,010	66,375	156,256	315,735

The Authority has moved into new premises during November 2015. The Authority has undertaken significant improvements to these new premises. Whilst most of the improvements have been in place as at year end, the project was fully completed in the first quarter of 2016.

MALTA GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2015

NOTES TO THE FINANCIAL STATEMENTS – continued

11. TRADE AND OTHER RECEIVABLES

	2015	2014
	EUR	EUR
Duties and licences receivable (note i)	6,695,475	6,682,507
Other receivables	34,548	97,440
Prepaid expenses	186,489	181,173
Deposits	166,880	61,145
Accrued interest	-	17,033
	7,083,392	7,039,298

- i. At 31 December 2015, duties and licenses receivable at nominal value of EUR988,785 (2014: EUR651,326) were impaired and fully provided for (Note 6).

Provision for doubtful debts	2015	2014
	EUR	EUR
Opening balance	651,326	426,118
Increase in provision for doubtful debts	337,459	225,208
Closing balance	988,785	651,326

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	31-60 days EUR	61-90 days EUR	>90 days EUR
2015	6,695,475	5,168,758	766,816	207,257	162,700	389,944
2014	6,682,507	4,693,683	991,746	369,841	135,123	492,114

12. RESERVES

a. Equity reserve

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

b. Reserve Fund

The Reserve Fund represents accumulated excess of revenue over expenditure.

c. 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.

MALTA GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2015

NOTES TO THE FINANCIAL STATEMENTS – continued

13. TRADE AND OTHER PAYABLES

	2015 EUR	2014 EUR
Amounts due to government (note i)	1,657,981	4,537,758
Unclaimed deposits (note ii)	5,206,635	3,862,340
Other payables	1,735,065	1,629,708
Accruals	612,883	566,217
Deferred income	2,901,111	2,383,592
	<u>12,113,675</u>	<u>12,979,615</u>

- 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 operators which are passed on to the Authority by the licensee when no transactions have been recorded on players' account for more than thirty months.

14. PROVISION FOR CLAIMS

During 2014, players of certain gaming operators have submitted claims that they were owed the amounts of EUR3,300,000 since they have not been paid these amounts by the gaming operators. They are also keeping the Authority responsible and liable for such amounts. During 2015, claims amounting to EUR900,000 have not been pursued and from further analysis it is deemed remote that the Authority could be liable. The corresponding provision has been reversed. The Authority continues to monitor these claims following the advice from its legal counsel.

Furthermore, a case that in prior year had been disclosed as a contingent liability (note 19) was pursued during 2015 with a judicial letter filed in court. Subsequent to year end the gaming operator initiated court proceeding against the Authority claiming loss of profits from the Authority in the region of EUR800,000. The gaming operator claims that the Authority had approved the devices as amusement machines and after importation changed their category to gaming devices. The Authority with the assistance of legal counsel rebuts these claims.

Further provisions estimated at EUR100,000 have also been recognised as at 31 December 2015.

15. CASH AND CASH EQUIVALENTS

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

	2015 EUR	2014 EUR
Cash at bank and in hand	<u>4,756,308</u>	<u>9,174,582</u>

As at 31 December 2015 the amount of EUR1,462,738 (2014: Nil) was pledged against a letter of credit issued to third parties by a local bank. The pledge was released after year end.

MALTA GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2015

NOTES TO THE FINANCIAL STATEMENTS – continued

16. COMMITMENTS

The future minimum rentals payable including VAT under these operating leases as at 31 December 2015 and 31 December 2014 are as follows:

	2015	2014
	EUR	EUR
Within one year	440,920	311,724
After one year but not more than five years	1,876,225	1,859,071
More than five years	5,327,473	5,895,979
	7,644,618	8,066,774

17. 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	2015	52,302,088	1,657,981	Surplus for the year
Government of Malta - The Treasury	2014	49,553,560	4,537,758	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 EUR32,710 (2014: EUR34,910).

18. 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

18. 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.

19. CONTINGENT LIABILITIES

During 2014, gaming operators have submitted claims amounting to circa EUR1,700,000 mainly in respect to overpayment of gaming taxes paid to the Authority due to wrongful classification of the games provided by the operator. The Authority is contesting these claims and continues to follow the advice of its legal counsel.

Furthermore, a request for damages estimated at EUR950,000 made by a gaming operator against the Authority during 2014 has been pursued during 2015 and a provision for claims has been made (note 14).

Another operator initiated court proceedings against the Authority claiming that the operator should have been given an 18 month notice period before the Authority issued a license to another operator. The Authority is contesting these claims and continues to follow the advice of its legal counsel. Moreover, the damages, if any, cannot be reliably estimated. Accordingly, no provision for any liability has been made in these financial statements.

Up to the date of the authorisation of these financial statements, there were no other material claims made against the Authority.

MALTA GAMING AUTHORITY
Supplementary Statement for the year ended 31 December 2015

SUPPLEMENTARY STATEMENT

	Statement
Administrative and other expenses	I

ADMINISTRATIVE AND OTHER EXPENSES

	31 December 2015		31 December 2014	
	EUR	EUR	EUR	EUR
Salaries and national insurance	4,076,733		2,670,568	
Training	123,856		75,714	
Other staff costs	35,739		19,063	
Staff costs		4,236,328		2,765,345
Chairman's emoluments and board honoraria	32,710		34,910	
Subcontracted services	74,849		84,945	
Telecommunications	89,933		60,827	
Water and electricity	43,005		36,557	
Rent	233,309		156,141	
Insurance and licences	9,901		19,169	
Postage, stationery and printing	73,131		45,893	
Office expenses	28,695		13,559	
Motor vehicle running expenses	77,617		47,892	
Bank charges	13,617		2,762	
Cleaning expenses	18,864		666	
Subscriptions	32,907		20,956	
Repairs and maintenance	191,444		60,280	
Business development expenses	17,550		19,783	
Overseas travelling	193,190		208,367	
Seminars and conferences	32,042		13,746	
General administrative expenses		1,162,764		826,453
Accountancy fees	-		20,532	
Professional fees	779,074		919,758	
Internal audit fees	119,786		55,523	
Auditors' remuneration	14,160		29,638	
Due Diligence consultancy fees	241,382		29,625	
IT consultancy fees	100,667		43,671	
Professional fees		1,255,069		1,098,747
Promotional expenses		748,862		570,637
Depreciation		304,418		116,644
Loss/(profit) on disposal of property, plant and equipment		52,421		(6,103)
Provision for doubtful debts		337,459		225,208
Contributions to other entities		537,245		51,074
		8,634,566		5,648,005