

MALTA GAMING AUTHORITY

Annual Report and Financial Statements

31 December 2020

MALTA GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2020

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GENERAL INFORMATION

Registration

The Malta Gaming Authority (hereinafter referred to as the 'Authority') was established by virtue of the Gaming Act, Chapter 583 of the Laws of Malta.

Board of Governors of the Authority

Ryan Pace	Chairperson Designate
Carmen Ciantar	
Roberto Francalanza	
Caesar Grech	
Juliana Scerri Ferrante	
Ruth Trapani Galea Feriol	

Chief Executive Officer

Carl Brincat

Secretary of the Board of the Authority

Adrian Caruana

Head Office

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

Auditor

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

MALTA GAMING AUTHORITY
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REPORT OF THE BOARD OF GOVERNORS OF THE AUTHORITY

The Board of Governors of the Authority (hereinafter referred to as the 'Board of the Authority') submit their annual report and the audited financial statements for the year ended 31 December 2020.

Principal activity

The Authority was established by virtue of the Gaming Act, Chapter 583 of the Laws of Malta for the purpose of carrying out the functions defined in the said Act.

Results

The operating revenue net of dormant funds, and release of unclaimed player funds generated by the Authority during the year amounted to EUR78,655,770 (2019: EUR82,727,786). After deducting all expenditure net of provision for claims and finance income of EUR12,140,443 (2019: EUR13,394,399) the Authority registered a surplus for the year of EUR66,515,327 (2019: EUR69,333,387). The Authority transferred EUR 67,873,453 (2019: EUR72,295,918) to the Government of Malta.

Board of Governors of the Authority

The members of the Board of the Authority who acted in such position during the year under review are listed on page 2.

Chairperson

In accordance with Article 6(4) and the First Schedule of the Gaming Act, Chapter 583 of the Laws of Malta, the Chairperson and the other members of the Board of the Authority are appointed by the Minister responsible for the gaming sector.

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 of the Authority.

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



Ryan Pace
Chairperson Designate



Caesar Grech
Board Member

21 April 2021



Ernst & Young Malta Limited
Regional Business Centre
Achille Ferris Street
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INDEPENDENT AUDITOR'S REPORT to the Board of Governors of Malta Gaming Authority

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the Authority, which comprise the statement of financial position as at 31 December 2020 and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies on pages 6-23.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the Gaming Act, Chapter 583 of the Laws of Malta.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Authority in accordance with the International Code of Ethics for Professional Accountants (*including International Independence Standards*) as issued by the International Ethics Standards Board of Accountants (*IESBA Code*) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 of the Laws of Malta*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The other information obtained at the date of the auditor's report is the 2020 Board of Governors Report. The Board of the Authority is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Governors' Responsibility for the Financial Statements

The Board is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Gaming Act, Chapter 583 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.

In preparing the financial statements, the Board is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT to the Board of Governors of Malta Gaming Authority - continued

Report on the audit of the financial statements - continued

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of the Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



The partner in charge of the audit resulting in this independent auditor's report is
Shawn Falzon for and on behalf of
Ernst & Young Malta Limited
Certified Public Accountants

21 April 2021

MALTA GAMING AUTHORITY
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STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2020

	Notes	2020 EUR	2019 EUR
Revenue	5	77,311,474	81,703,563
Administrative and other expenses	6	(12,083,032)	(13,210,252)
Operating surplus		65,228,442	68,493,311
Release of unclaimed player funds		1,344,296	1,024,223
Decrease/(Increase) of provision for claims	14	82,366	(35,000)
Finance income	8	109	352
Finance costs	17	(139,886)	(149,499)
Surplus for the year		66,515,327	69,333,387

The accounting policies and explanatory notes on pages 10 to 23 form an integral part of the financial statements.

MALTA GAMING AUTHORITY
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STATEMENT OF FINANCIAL POSITION
as at 31 December 2020

	Notes	2020 EUR	2019 EUR
ASSETS			
Non-current assets			
Intangible assets	10	607,977	853,387
Property, plant and equipment	11	6,735,590	7,410,873
		<u>7,343,567</u>	<u>8,264,260</u>
Current assets			
Trade and other receivables	12	6,146,952	7,257,065
Cash at bank and in hand	16	10,760,742	10,058,710
		<u>16,907,694</u>	<u>17,315,775</u>
TOTAL ASSETS		<u><u>24,251,261</u></u>	<u><u>25,580,035</u></u>
EQUITY AND LIABILITIES			
Equity reserve	13	250,000	250,000
Reserve fund	13	4,103,922	4,888,129
Unclaimed Prizes Reserve	13	-	-
		<u>4,353,922</u>	<u>5,138,129</u>
Non-current liabilities			
Provision for claims	14	790,000	925,000
Finance lease liabilities	17	3,435,998	3,659,673
		<u>4,225,998</u>	<u>4,584,673</u>
Current liabilities			
Trade and other payables	15	15,390,531	15,603,242
Finance lease liabilities	17	280,810	253,991
		<u>15,671,341</u>	<u>15,857,233</u>
Total liabilities		<u><u>19,897,339</u></u>	<u><u>20,441,906</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>24,251,261</u></u>	<u><u>25,580,035</u></u>

The accounting policies and explanatory notes on pages 10 to 23 form an integral part of the financial statements.

The financial statements on pages 6 to 23 have been authorised for issue by the Board of the Authority on 21 April 2021 and were signed on their behalf by:



Ryan Pace
Chairperson Designate



Caesar Grech
Board Member

MALTA GAMING AUTHORITY
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STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

	Unclaimed Prizes Reserve EUR	Reserve Fund EUR	Equity Reserve EUR	Total EUR
At 1 January 2020	-	4,888,129	250,000	5,138,129
Appropriation from statement of comprehensive income	788,871	65,726,456	-	66,515,327
Unclaimed prizes transferred in terms of the Gaming Act, Chapter 583 of the Laws of Malta and the applicable regulatory instruments issued thereunder	573,919	-	-	573,919
Payments made to/or on behalf of Government in terms of the Gaming Act, Chapter 583 of the Laws of Malta and the applicable regulatory instruments issued thereunder	(1,362,790)	(66,510,663)	-	(67,873,453)
At 31 December 2020	-	4,103,922	250,000	4,353,922
At 1 January 2019	-	7,138,455	250,000	7,388,455
Appropriation from statement of comprehensive income	969,193	68,364,194	-	69,333,387
Unclaimed prizes transferred in terms of the Gaming Act, Chapter 583 of the Laws of Malta and the applicable regulatory instruments issued thereunder	712,205	-	-	712,205
Payments made to/or on behalf of Government in terms of the Gaming Act, Chapter 583 of the Laws of Malta and the applicable regulatory instruments issued thereunder	(1,681,398)	(70,614,520)	-	(72,295,918)
At 31 December 2019	-	4,888,129	250,000	5,138,129

The accounting policies and explanatory notes on pages 10 to 23 form an integral part of the financial statements.

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STATEMENT OF CASH FLOWS
for the year ended 31 December 2020

	Notes	2020 EUR	2019 EUR
Operating activities			
Surplus for the year		66,515,327	69,333,387
Adjustment to reconcile surplus for the year to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment		877,785	974,687
Amortisation of intangible assets		377,628	398,423
Grant Amortisation		195,615	176,010
Increase in provision for doubtful debts		308,465	831,214
Increase/(Decrease) in provision for claims		(82,366)	35,000
Finance income		(109)	(352)
Working capital adjustments:			
Decrease/Increase in trade and other receivables		801,648	2,286,698
Decrease/Increase in trade and other payables		(593,455)	(1,040,800)
Net cash flows from operating activities		68,400,538	72,994,267
Investing activities			
Purchase of property, plant and equipment		(266,863)	(460,891)
Purchase of intangible assets		(132,218)	(432,180)
Interest received		109	352
Net cash flows used in investing activities		(398,972)	(892,719)
Financing activities			
Receipts on behalf of Government		573,919	712,205
Payments made to Government		(67,873,453)	(73,008,123)
Net cash flows used in financing activities		(67,299,534)	(72,295,918)
Net movement in cash and cash equivalents		702,032	(194,370)
Cash and cash equivalents at 1 January		10,058,710	10,253,080
Cash and cash equivalents at 31 December	16	10,760,742	10,058,710

The accounting policies and explanatory notes on pages 10 to 23 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Authority is established by virtue of the Gaming Act, Chapter 583 of the Laws of Malta. The principal activity of the Authority is to govern and supervise the gaming sector 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 (IFRS) as adopted by the European Union (EU) and comply with the Gaming Act, Chapter 583 of the Laws of Malta.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective during the year:

- IFRS 16: Leases Covid 19 – Related Rent Concessions (issued on 28 May 2020) (effective for financial year beginning on or after 1 June 2020);
- Amendments to IFRS 3: Business Combinations (effective for financial year beginning on or after 1 June 2020);
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (issued on 26 September 2019 and effective for financial year beginning on or after 1 January 2020);
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018) (effective for financial year beginning on or after 1 January 2020); and
- Amendments to References to the Conceptual Framework in IFRS (issued on 29 March 2018) (effective for financial year beginning on or after 1 January 2020).

The adoption of these standards did not have significant impact on the financial statements or performance of the Authority.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Authority. The Authority has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

NOTES TO THE FINANCIAL STATEMENTS - continued

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES - continued

Standards, interpretations and amendments to published standards as adopted by the EU which are not yet effective

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet effective for the current reporting year and which the Authority has not early adopted but plans to adopt upon their effective date. The changes resulting from these standards are not expected to have a material effect on the financial statements of the Authority. The new and amended standards follow:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform-Phase 2 (issued on 27 August 2020).

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

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet adopted by the EU. The Authority plans to adopt the new standards upon their effective date. The new and amended standards follow:

- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively);
- Amendments to IFRS 3: Business Combinations (effective for financial year beginning on or after 1 January 2020), IAS 16: Property, Plant and Equipment, IAS 37: Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements 2018-2020;
- Amendments to IAS 1: Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (issued on 12 February 2021); and
- Amendments to IAS 8: Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021).

NOTES TO THE FINANCIAL STATEMENTS – continued

3. SUMMARY OF 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, compliance contribution and levies 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.

Compliance Contribution and Levies

Depending on the type of licence, revenue from compliance contribution and levies 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.

Penalties and Other Fees

Penalties and other fees represent enforcement penalties imposed by the Authority. Penalties and other fees are accounted for on an accrual basis and are recognised when realisation is probable and the amount can be measured reliably.

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.

Impairment of financial assets

The Authority recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Authority expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Authority applies a simplified approach in calculating ECLs. Therefore, the Authority does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Authority has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF 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.

Grant

Grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

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.

Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation expense on intangible assets is recognised in the statement of comprehensive income. Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	%
Computer software	25

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:

	%
Leasehold improvements	6.67
Furniture and fittings	10 - 16.67
Office equipment	16.67 - 25
Motor vehicles	20
Computer equipment	25

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

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF ACCOUNTING POLICIES – continued

Leases

The Authority assesses at contract inception whether a contract is, or contains a lease. That is if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Authority applies a single recognition and measurement approach for all leases, except for short term leases and leases of low value assets. The Authority recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

Right-of-use assets

The Authority recognises right-of-use assets at the commencement date of the lease (i.e. the date the available asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the asset. The right-of-use assets are also subject to impairment.

Lease Liabilities

At the commencement date of the lease the Authority recognises lease liabilities at the present value of future lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include payments of penalties for terminating the lease if the lease term reflects the Authority exercising the option to terminate.

In calculating the present value of lease payments the Authority uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of any options related to the lease.

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.

NOTES TO THE FINANCIAL STATEMENTS – continued

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS - CONTINUED

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'.

5. REVENUE

Revenue comprises the following:

	2020 EUR	2019 EUR
Licence fees	8,453,770	8,114,631
Application fees	295,000	477,605
Other Revenue	3,523,286	817,276
Total Authority fees	12,272,056	9,409,512
Compliance Contribution & Levies	65,039,418	72,294,051
Total Revenue	77,311,474	81,703,563

As at year ended 31 December 2020, the Authority also issued Notices governing administrative penalties amounting to EUR189,500 which became or will become due through the issuance of the subsequent and final enforcement measure. The fees generated will be recognized as income once the Authority's position is confirmed.

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NOTES TO THE FINANCIAL STATEMENTS – continued

5. REVENUE

Number of licences in issue at end of year:

	2020 No.	2019 No.
Commercial bingo houses	4	4
Casinos	4	4
Gaming parlours	60	56
National lotteries	1	1
Remote online gaming licences	318	287
Total number of licenses at end of year	<u>387</u>	<u>352</u>

6. EXPENSES BY NATURE

	2020 EUR	2019 EUR
Auditor's remuneration	26,550	26,550
Chairperson's emoluments and Board honoraria (note 18)	49,876	50,295
Staff costs (note 7)	7,214,566	7,222,468
General administrative expenses	1,174,829	1,157,603
Professional fees	760,587	861,333
Promotional expenses	402,735	843,759
Depreciation and amortisation on property, plant and equipment and intangible fixed assets (notes 10 and 11)	1,118,734	1,197,101
Provision for doubtful debts (note 12)	308,465	831,214
Contributions to other entities	1,026,690	1,019,929
Total administrative and other expenses	<u>12,083,032</u>	<u>13,210,252</u>

7. EMPLOYEE INFORMATION

a. Staff costs

The total employment costs were as follows:

	2020 EUR	2019 EUR
Salaries	6,472,721	6,421,681
Social security costs	419,059	395,117
Fringe benefits	163,311	161,005
Other related costs	<u>7,055,091</u>	<u>6,977,803</u>
	<u>7,214,566</u>	<u>7,222,468</u>

MALTA GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2020

NOTES TO THE FINANCIAL STATEMENTS – continued

7. EMPLOYEE INFORMATION - continued

b. Staff numbers

The number of persons employed by the Authority as at 31 December 2020 and 31 December 2019 was as follows:

	2020	2019
	No.	No.
	176	169

8. FINANCE INCOME

	2020	2019
	EUR	EUR
Interest receivable on bank balances	109	352

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.

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NOTES TO THE FINANCIAL STATEMENTS – continued

10. INTANGIBLE FIXED ASSETS

Intangible fixed assets pertain to software costs of the Authority. The movement in intangible fixed assets is as follows:

	Computer Software EUR
Cost	
At 1 January 2019	1,603,757
Additions	432,180
At 31 December 2019	2,035,937
Additions	132,218
At 31 December 2020	2,168,155
Amortisation	
At 1 January 2019	784,127
Amortisation for the year	398,423
At 31 December 2019	1,182,550
Amortisation for the year	377,628
At 31 December 2020	1,560,178
Net book value	
At 31 December 2020	607,977
At 31 December 2019	853,387

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Property, Plant and Equipment owned by the Authority

	Leasehold Improvements EUR	Furniture and fittings EUR	Office equipment EUR	Motor vehicles EUR	Computer equipment EUR	Total EUR
Cost						
At 1 January 2019	3,112,193	1,540,721	536,289	151,128	647,607	5,987,938
Additions	2,203	36,236	1,021	-	421,431	460,891
Disposals	-	-	(4,339)	-	-	(4,339)
At 31 December 2019	3,114,396	1,576,957	532,971	151,128	1,069,038	6,444,490
Additions	-	1,989	7,205	136,896	120,773	266,863
Disposals	-	(4,224)	-	-	(30,138)	(34,362)
At 31 December 2020	3,114,396	1,574,722	540,176	288,024	1,159,673	6,676,991
Depreciation						
At 1 January 2019	726,850	515,674	395,835	132,422	500,902	2,271,683
Depreciation charge for the year	204,004	171,638	72,280	15,163	175,414	638,499
Release on disposal	-	-	-	-	(30,138)	(30,138)
At 31 December 2019	930,854	687,312	468,115	147,585	646,178	2,880,044
Depreciation charge for the year	204,139	173,389	32,995	10,385	120,550	541,458
At 31 December 2020	1,134,993	860,701	501,110	157,970	766,728	3,421,502
Net book value						
At 31 December 2020	1,979,403	714,021	39,066	130,054	392,945	3,255,489
At 31 December 2019	2,183,542	889,645	64,856	3,543	422,860	3,564,446

MALTA GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2020

NOTES TO THE FINANCIAL STATEMENTS – continued

11. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

11.1 Property, Plant and Equipment owned by the Authority - continued

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.

11.2 Right-of-use asset – Leasehold Property

	2020 EUR	2019 EUR
IFRS 16 adjustment	4,212,754	4,212,754
Cost at 31 December	4,212,754	4,212,754
Depreciation for the year	366,326	366,327
Accumulated Depreciation at 31 December	732,653	366,327
Net book Value at 31 December	<u>3,480,101</u>	<u>3,846,427</u>

12. TRADE AND OTHER RECEIVABLES

	2020 EUR	2019 EUR
Compliance Contribution, Levies and Licences receivable and accrued income (note i,ii,iii)	5,604,584	6,609,029
Prepaid expenses	375,487	376,135
Deposits and Other Receivables	166,881	271,901
	<u>6,146,952</u>	<u>7,257,065</u>

(i) At 31 December 2020, Compliance Contribution, Levies and Licences receivable at nominal value of EUR 2,897,658 (2019: EUR2,589,193) were impaired and fully provided for (Note 12).

Provision for doubtful debts	2020 EUR	2019 EUR
Opening balance	2,589,193	1,757,979
Increase in provision for doubtful debts	308,465	831,214
Closing balance	<u>2,897,658</u>	<u>2,589,193</u>

NOTES TO THE FINANCIAL STATEMENTS – continued

12. TRADE AND OTHER RECEIVABLES - CONTINUED

- (ii) As at the balance sheet date, the ageing analysis of Compliance Contribution, Levies 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
2020	5,604,584	5,154,184	125,456	264,719	43,921	16,304
2019	6,609,029	5,832,202	435,485	71,407	22,595	247,340

- (iii) Accrued income included with Compliance Contribution, Levies and Licences receivable comprise of compliance contribution payable to the Authority for which no request for payment has been issued yet.

13. 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. Unclaimed Prizes Reserve

The National Lottery Licensee is to pay funds standing in its unclaimed prizes reserve to the Authority. The Authority shall appropriate such funds in accordance with the Gaming Act (Chapter 583 of the Laws of Malta) and any other applicable regulatory instrument issued thereunder.

14. PROVISION FOR CLAIMS AND CONTINGENT LIABILITIES

Provision for claims

During 2014, a gaming operator initiated, court proceedings against the Authority claiming loss of profits from the Authority in the region of EUR790,000. The Authority with the assistance of legal counsel rebuts these claims.

Contingent Liabilities

During 2016 an operator-initiated court proceedings against the Authority. The Authority is contesting these claims and continues to follow the advice of its legal counsel. Court proceedings are in the initial stages and 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 that are expected to lead to a possible obligation.

MALTA GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2020

NOTES TO THE FINANCIAL STATEMENTS – continued

15. TRADE AND OTHER PAYABLES

	2020	2019
	EUR	EUR
Unclaimed player deposits (note i)	7,600,424	8,530,803
Deferred income	5,433,932	4,703,430
Advances received from operators	992,756	1,218,419
Trade and Other payables	777,636	518,709
Accruals	585,783	631,881
	<u>15,390,531</u>	<u>15,603,242</u>

- i. 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.

16. 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:

	2020	2019
	EUR	EUR
Cash at bank and in hand	<u>10,760,742</u>	<u>10,058,710</u>

17. FINANCE LEASE LIABILITIES

	2020	2019
	EUR	EUR
<i>Current</i>		
Finance Lease Liabilities (i)	<u>280,810</u>	<u>253,991</u>
<i>Non-Current</i>		
Finance Lease Liabilities (i)	<u>3,435,998</u>	<u>3,659,673</u>

- (i) Finance lease liabilities bear interest at the rate of 3.6% per annum

NOTES TO THE FINANCIAL STATEMENTS – continued

18. 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	2020	67,873,453	-	Payments made to/ on behalf of gov
Government of Malta - The Treasury	2019	72,295,918	-	Payments made to/ on behalf of gov

Key management personnel

The Chairperson and the Board of the Authority are considered to be key management personnel. Included in 'Administrative and other expenses' (note 6) are salaries paid to the Chairperson and Board amounting to EUR 49,876 (2019: EUR50,295).

19. 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 15 and 17.

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.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

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.

MALTA GAMING AUTHORITY
Supplementary Statement for the year ended 31 December 2020

ADMINISTRATIVE AND OTHER EXPENSES

	31 December 2020		31 December 2019	
	EUR	EUR	EUR	EUR
Salaries and national insurance	7,214,566		7,222,468	
Training	49,285		140,437	
Other staff costs	8,270		16,388	
Staff and ancillary costs		7,272,121		7,379,293
Chairperson's emoluments and Board honoraria	49,876		50,295	
Subcontracted services	-		14,528	
Telecommunications	43,885		50,717	
IT and Ancillary Costs	474,302		446,794	
Water and electricity	34,057		43,812	
Rent	-		1,865	
Insurance and licences	70,949		60,972	
Postage, stationery and printing	22,178		45,753	
Office expenses	23,689		27,265	
Motor vehicle running expenses	42,699		59,293	
Bank charges	11,036		6,796	
Cleaning expenses	7,582		12,570	
Subscriptions	147,613		129,463	
Repairs and maintenance	137,954		107,022	
Business development expenses	4,516		9,967	
Overseas travelling	39,264		135,505	
Seminars and conferences	3,125		5,281	
General administrative expenses		1,112,725		1,207,898
Professional fees	202,853		189,292	
Auditors' remuneration	26,550		26,550	
Due Diligence consultancy fees	580,904		485,621	
Legal fees	31,255		29,595	
Professional fees		841,562		731,058
Promotional Expenses		402,735		843,759
Depreciation and amortisation		1,118,734		1,197,101
Provision for doubtful debts		308,465		831,214
Contributions to other entities		1,026,690		1,019,929
		12,083,032		13,210,252