

Lotteries and Gaming Authority
Report and financial statements
For the year ended 31 December 2005

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Statement of responsibilities of the Authority

The Authority consists of the Chairman and the Board members, who are to ensure that:

- a. proper accounting records are kept of all transactions entered into by the Authority and of its assets and liabilities
- b. adequate controls and procedures are in place for safeguarding the assets of the Authority and the prevention and detection of fraud and other irregularities.

The Lotteries and Other Games Act, Cap 438 requires that financial statements are prepared for each financial year. In preparing those financial statements which give a true and fair view of its state of affairs as at the end of the financial year and of its surplus or deficit for that year, the Authority:

- adopts the going concern basis unless it is considered inappropriate;
- selects suitable accounting policies and then applies them consistently;
- makes judgements and estimates that are reasonable and prudent;
- accounts for income and charges relating to the accounting period on the accruals basis;
- values separately the components of asset and liability items; and
- reports comparative figures corresponding to those of the preceding accounting period.

Report of the auditors to the Board

We have audited the financial statements on pages 3 to 11. These financial statements are the responsibility of the Authority's Board. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the state of affairs of the Authority as at 31 December 2005 and of its surplus, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Lotteries and Other Games Act, Cap 438.



Mark Bugeja
f/Grant Thornton

Certified Public Accountants

Grant Thornton House
Princess Elizabeth Street
Ta' Xbiex MSD 11
Malta

28 September 2006

Income and expenditure account

	Note	2005 Lm	2004 Lm
Income	3	10,972,707	7,607,121
Staff costs	4	214,524	127,215
Administrative expenses		140,556	232,604
Professional and consultancy fees		8,757	34,668
Promotional expenses		34,092	19,314
Depreciation		14,371	10,685
		<u>412,300</u>	<u>424,486</u>
Surplus for the year	5	<u>10,560,407</u>	<u>7,182,635</u>

The financial statements on pages 2 to 11 were approved by the Board on 28 September 2006 and were signed on their behalf by:

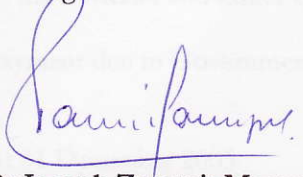
Dr Joseph Zimondi Masepeli
Chairman

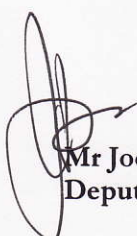
Mr Joe Rane
Deputy Chairman

Balance sheet at 31 December

	Note	2005 Lm	2004 Lm
Non-current assets			
Property, plant and equipment	7	43,515	38,964
Current assets			
Debtors	8	1,103,870	831,398
Cash at bank and in hand		322,533	52,235
		1,426,403	883,633
Creditors: amounts falling due within one year	9	(1,469,918)	(922,597)
		(43,515)	(38,964)
Net current liabilities		(43,515)	(38,964)
Total assets less current liabilities		-	-
Capital and reserves			
Reserve fund		-	-
National Lottery reserve fund		-	-
		-	-

The financial statements on pages 3 to 11 were approved by the Board on 28 September 2006 and were signed on their behalf by:


Dr Joseph Zammit Maempel
Chairman


Mr Joe Ross
Deputy Chairman

Statement of changes in net assets/equity

	National Lottery reserve fund Lm	Reserve fund Lm
Appropriation from income and expenditure account	-	7,182,635
Unclaimed prizes transferred in terms of section 59 of the Lotteries and Other Games Act, Cap 438	73,252	-
Charitable donation	(25,000)	-
Payment made to Government in terms of section 50 of the Lotteries and Other Games Act, Cap 438	-	(7,140,248)
Payment due to Government	(48,252)	(42,387)
	<hr/>	<hr/>
At 31 December 2004	-	-
Appropriation from income and expenditure account	-	10,560,407
Unclaimed prizes transferred in terms of section 59 of the Lotteries and Other Games Act, Cap 438	454,046	-
Charitable donation	(365,083)	-
Payment made to Government in terms of Section 50 of the Lotteries and Other Games Act, Cap 438	-	(9,333,392)
Payment due to Government	(88,963)	(1,227,015)
	<hr/>	<hr/>
At 31 December 2005	-	-

Note -

By virtue of section 59(1) of the Lotteries and Other Games Act, Cap 438 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 Lottery Good Causes Fund held at the Treasury.

Cash flow statement

	Note	2005 Lm	2004 Lm
Operating activities			
Cash generated from operations	11(a)	10,474,999	6,879,311
Payments made to Government		(10,185,779)	(7,193,230)
Net cash generated from/(used in) operating activities		289,219	(313,919)
Financing activities			
Advance from Government		-	350,000
Investing activities			
Payments to acquire property, plant and equipment	11(b)	(18,922)	(46,147)
Net increase/(decrease) in cash and cash equivalents		270,298	(10,066)
Cash and cash equivalents at beginning of year	11(c)	52,235	62,301
Cash and cash equivalents at end of year	11(c)	322,533	52,235

Notes to the financial statements (continued)

1 Presentation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

These financial statements are presented in Maltese Liri (Lm).

2 Summary of significant accounting policies

The financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

Revenue recognition

The Authority's revenue consists of duty levied on regulated activities. Revenue is recognised on the accruals basis.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight line method, on the following bases:

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

Impairment

At each balance sheet date the Authority reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the Authority's balance sheet when the Authority has become a party to the contractual provisions of the instruments.

Debtors

Debtors are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Creditors

Creditors are stated at their nominal value.

3 Income

	2005 Lm	2004 Lm
Income comprises:		
Licence fees	133,934	87,500
Duties	10,746,340	7,486,464
Application fees	75,697	28,457
	<hr/>	<hr/>
	10,955,971	7,602,421
Interest receivable	6,233	3,375
Sundry income	10,503	1,325
	<hr/>	<hr/>
	10,972,707	7,607,121
	<hr/>	<hr/>

4 Staff costs

	2005 Lm	2004 Lm
Wages and salaries	199,980	118,822
Social security costs	13,236	7,619
Recruitment costs	-	120
Training expenses	1,308	654
	<hr/>	<hr/>
	214,524	127,215
	<hr/>	<hr/>
Average number of employees	20	12
	<hr/>	<hr/>

Notes to the financial statements (continued)

5 Surplus for the year

	2005 Lm	2004 Lm
The surplus for the year is stated after charging:		
Chairman's emoluments and Board's honoraria	9,900	9,600
Auditors' remuneration	375	375
	<hr/>	<hr/>

6 Taxation

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

7 Property, plant and equipment

	Motor vehicles Lm	Furniture & fittings Lm	Office equipment Lm	Computer equipment Lm	Total Lm
Cost					
At 1 January 2005	29,805	5,552	8,012	8,661	52,030
Additions	5,285	5,201	2,720	5,716	18,922
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2005	35,090	10,753	10,732	14,377	70,952
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 January 2005	5,961	555	3,240	3,310	13,066
Charge for the year	7,018	1,076	2,683	3,594	14,371
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2005	12,979	1,631	5,923	6,904	27,437
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 December 2005	22,111	9,122	4,809	7,473	43,515
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	23,844	4,997	4,772	5,351	38,964
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

8 Debtors

	2005 Lm	2004 Lm
Prepayments and accrued income	1,103,870	831,398
	<hr/>	<hr/>

Notes to the financial statements (continued)

9 Creditors: amounts falling due within one year

	2005 Lm	2004 Lm
Advance repayable to Government	-	810,000
Other amounts due to Government	1,464,075	90,639
Other creditors	3,389	5,570
Accruals and deferred income	2,454	16,388
	<hr/>	<hr/>
	1,469,918	922,597
	<hr/>	<hr/>

10 Financial instruments

Financial assets include debtors and cash held at bank and in hand. Financial liabilities include creditors. At 31 December 2005 and 2004, the Authority had no unrecognised financial instruments.

Risk management policies

- (a) Credit risk on amounts receivable is limited through the systematic monitoring of outstanding balances and the presentation of debtors net of allowances for doubtful debts, where applicable. Cash is placed with reputable banks.
- (b) Liquidity risk is limited as the Authority has sufficient funding resources and the ability to raise finance to meet its financial obligations as these arise.

Fair values

At 31 December 2005 and 2004, the fair values of financial assets and liabilities of the Authority were not materially different from their carrying amounts.

11 Notes to the cash flow statement

(a) Cash generated from operations

	2005 Lm	2004 Lm
Surplus for the year	10,560,407	7,182,635
Adjustment for:		
Depreciation	14,371	10,685
	<hr/>	<hr/>
Operating surplus before working capital changes:	10,574,778	7,193,320
Increase in debtors	(272,472)	(367,319)
Increase in creditors	172,693	53,310
	<hr/>	<hr/>
	10,474,999	6,879,311
	<hr/>	<hr/>

Notes to the financial statements (continued)

11 Notes to the cash flow statement (continued)

(b) Property, plant and equipment

During the year, the Authority acquired items of property, plant and equipment with an aggregate cost of Lm 18,922 which were all paid in cash.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2005 Lm	2004 Lm
Cash in hand and balances with banks	322,533	52,235

12 Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Income and expenditure account (detailed)

	Page	2005 Lm	2004 Lm
Income	13	10,972,707	7,607,121
Staff costs		214,524	127,215
Administrative expenses	14	140,556	232,604
Professional fees	14	8,757	34,668
Promotional expenses	14	34,092	19,314
Depreciation		14,371	10,685
Total expenses		412,300	424,486
Surplus for the year		10,560,407	7,182,635

Income and expenditure account (detailed) (continued)

	2005 Lm	2004 Lm
Income		
Licence fees:		
Casino licences	60,000	60,000
National lottery licences	20,000	20,000
Online gaming licences	53,934	-
Bingo Hall licences	-	7,500
	<hr/>	<hr/>
	133,934	87,500
Duties:		
Casino duties	3,646,251	3,855,545
Bingo hall duties	308,531	247,081
National lottery duties	4,802,120	2,166,239
Online gaming duties	1,989,438	1,217,599
	<hr/>	<hr/>
	10,746,340	7,486,464
Application fees:		
Online gaming fees	75,697	28,457
	<hr/>	<hr/>
Other:		
Interest receivable	6,233	3,375
Advertising income	7,893	-
Sundry income	2,610	1,325
	<hr/>	<hr/>
	16,736	4,700
Total income - to page 12	<hr/>	<hr/>
	10,972,707	7,607,121

Income and expenditure account (detailed - continued)

	2005 Lm	2004 Lm
Staff costs		
Salaries and N.I.	213,216	126,441
Training	1,308	654
Recruitment expenses	-	120
	<hr/>	<hr/>
- to page 12	214,524	127,215
	<hr/>	<hr/>
Administrative expenses		
Chairman's emoluments and Board honoraria	9,900	9,600
Secretary fees	1,200	1,200
Telecommunications	7,170	4,136
Water and electricity	2,103	1,452
Rent	35,567	32,283
Insurance	3,262	2,330
Casino inspectorate	20,128	159,488
Postage, stationery and printing	9,801	5,950
Office expenses	4,172	2,879
Entertainment	1,707	891
Overseas travelling	30,770	6,011
Motor vehicle running expenses	4,618	1,521
Bank charges	92	132
Cleaning expenses	2,676	1,730
Subscriptions	4,245	1,000
Repair and maintenance	3,145	2,001
	<hr/>	<hr/>
- to page 12	140,556	232,604
	<hr/>	<hr/>
Professional and consultancy fees		
Accountancy fees	1,800	1,800
Consultancy fees	6,207	25,167
Professional fees	-	2,636
Legal fees	375	4,690
Auditors' remuneration	375	375
	<hr/>	<hr/>
- to page 12	8,757	34,668
	<hr/>	<hr/>
Promotional expenses		
Advertising - to page 12	34,092	19,314
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