LOTTERIES AND GAMING AUTHORITY

Annual Report
and
Financial Statements

31 December 2008

CONTENTS

GENERAL INFORMATION

Registration

The Lotteries and Gaming Authority (the 'Authority') was established by virtue of the Lotteries and Other Games Act, Cap.438.

Board Members of the Authority

Mr. Nicholas Xuereb	(Chairman, appointed on 18 July 2008)
Dr. Joseph Zammit Maempel	(Chairman, resigned on 4 February 2008)
Mr. Stanley Portelli	(appointed on 18 July 2008)
Mr. Joseph Ross	(resigned on 4 February 2008)
Mr. Jesmond Pace	
Dr. Roberta Fenech Gauci	
Dr. Pauline Debono	(appointed on 18 July 2008)
Dr. Michael Xuereb	(resigned on 4 February 2008)

Secretary of the Board of the Authority

Dr. Richard Sladden	(resigned on 29 August 2008)
Mr. Michael Gonzi	(appointed on 29 August 2008 and resigned on 29 October 2008)
Dr. Natasha Galea Sciberras	(appointed on 1 January 2009)

Head Office

Lotteries and Gaming Authority
'La Concorde'
Abate Rigord Street
Ta' Xbiex, XBX 1121
MALTA

Auditors

Ernst & Young
Certified Public Accountants
Fourth Floor
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 2008.

Principal activity

The Lotteries and Gaming Authority was established by virtue of the Lotteries and Other Games Act, Cap.438 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 EUR39,658,403 (2007: EUR34,866,942) out of which EUR36,961,975 (2007: EUR31,810,247) was transferred to the Government of Malta. After deducting all expenditure of EUR2,128,003 (2007: EUR1,734,237) the Authority registered a surplus for the year of EUR37,599,700 (2007: EUR33,175,388).

Board Members of the Authority

The Board Members of the Authority who served during the year under review are listed on page 2.

In accordance with Part IV, section 9 (2) of the Lotteries and Other Games Act, Cap.438, the Chairman and other board members of the Authority are appointed by the Finance Minister for a maximum period of three years but may be reappointed on the expiration of their term of office.

Auditors

Ernst & Young 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. NICHOLAS XUEREB	**MR. JESMOND PACE**
Chairman	Board member

26 August 2009

Ernst & Young
Regional Business Centre
Achille Ferris Street
Msida MSD 1751, Malta
Tel: +356 2134 2134
Fax: +356 2133 0280
Email: ey.malta@mt.ey.com
Web: www.ey.com

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

We have audited the accompanying financial statements of the Lotteries and Gaming Authority ('the Authority'), which comprise the balance sheet as at 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes set on pages 5 to 19.

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 endorsed by EU and the Lotteries and Other Games Act, Cap.438 of the Laws of Malta. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by EU and have been properly prepared in accordance with the Lotteries and Other Games Act, Cap.438 of the Laws of Malta.

This copy of the audit report has been signed by
Anthony Doublet (Partner) for and on behalf of

Ernst & Young
Certified Public Accountants

26 August 2009

INCOME STATEMENT
for the year ended 31 December 2008

	Notes	2008 EUR	2007 EUR
Revenue	5	**39,658,403**	34,866,942
Administrative and other expenses	6	**(2,128,003)**	(1,734,237)
Operating surplus	7	**37,530,400**	33,132,705
Finance income	9	**69,300**	42,683
Surplus for the year		**37,599,700**	33,175,388

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

BALANCE SHEET
as at 31 December 2008

	Page	Notes	2008 EUR	2007 EUR
ASSETS				
Non-current assets				
Property, plant and equipment		11	**286,509**	283,060
Current assets				
Trade and other receivables		12	**3,590,085**	3,758,288
Cash and short-term deposits		15	**950,879**	643,124
			4,540,964	4,401,412
TOTAL ASSETS			**4,827,473**	4,684,472
EQUITY AND LIABILITIES				
Equity				
Reserve fund	7		-	-
National Lottery reserve fund	7	14	-	-
			-	-
Current liabilities				
Trade and other payables		13	**4,827,473**	4,684,472
TOTAL EQUITY AND LIABILITIES			**4,827,473**	4,684,472

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 26 August 2009 and were signed on their behalf by:

MR. NICHOLAS XUEREB
Chairman

MR. JESMOND PACE
Board member

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2008

	Page	National lottery reserve fund EUR	Reserve fund EUR	Total EUR
At 1 January 2007				
Appropriation from income statement		936,622	32,238,765	33,175,387
Unclaimed prizes transferred in terms of section 54 of the Lotteries and Other Games Act, Cap.438	17	707,096	-	707,096
Payments made to Government in terms of sections 50 and 59 of the Lotteries and Other Games Act, Cap.438		(1,643,718)	(31,810,247)	(33,453,965)
Payment due to government		-	(428,518)	(428,518)
At 31 December 2007	6	-	-	-
At 1 January 2008				
Appropriation from income statement		925,110	36,674,590	37,599,700
Unclaimed prizes transferred in terms of section 54 of the Lotteries and Other Games Act, Cap.438	17	991,812	-	991,812
Payments made to Government in terms of sections 50 and 59 of the Lotteries and Other Games Act, Cap.438		(1,916,922)	(36,961,975)	(38,878,897)
Surplus payment made to government		-	287,385	287,385
At 31 December 2008	6	-	-	-

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

CASH FLOW STATEMENT
for the year ended 31 December 2008

	Note	2008 EUR	2007 EUR
Operating activities			
Surplus for the year		**37,599,700**	33,175,388
Adjustment to reconcile surplus for the year to net cash flows			
Non-cash:			
Loss on disposal of property, plant and equipment		**3,725**	-
Depreciation of property, plant and equipment		**105,132**	90,745
Finance income		**(69,300)**	(42,683)
Working capital adjustments:			
Decrease/(increase) in trade and other receivables		**168,087**	(706,499)
Increase in trade and other payables		**430,385**	150,002
Net cash flows from operating activities		**38,237,727**	32,666,953
Investing activities			
Purchase of property, plant and equipment		**(112,306)**	(191,866)
Interest received		**69,417**	42,276
Net cash flows used in investing activities		**(42,889)**	(149,590)
Financing activities			
Payments made to government		**(37,887,085)**	(32,746,867)
Net increase/(decrease) in cash and cash equivalents		**307,755**	(229,504)
Cash and cash equivalents at 1 January		**643,124**	872,628
Cash and cash equivalents at 31 December	15	**950,879**	643,124

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Lotteries and Gaming Authority ('the Authority') is a Government Authority established by virtue of the Lotteries and Other Games Act, Cap.438 of the Laws of Malta. The principal activity of the Authority is to regulate lotteries and other gaming activities in Malta.

2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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 endorsed by EU and comply with the Lotteries and Other Games Act, Cap.438 of the Laws of Malta.

Euro Changeover

Following Malta's adoption of the Euro as its national currency on 1 January 2008, the company's functional currency was changed from Maltese Lira to Euro. Consequently, the results and financial position were translated at the Irrevocably Fixed Conversion Rate of EUR1: Lm0.4293 as at that date.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Standards, interpretations and amendments to public standards as endorsed by the EU effective in 2008

The accounting policies that have been followed were those followed in the previous year except that the Authority has adopted these newly revised standards and interpretations effective for accounting periods beginning on or after 1 January 2008. The changes in accounting policies result from adoption of the following new or revised standards.

- IFRIC 11, IFRS 2 - Group and Treasury Share Transactions
- IFRIC 12 - Service Concession Arrangements
- IFRIC 14, IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The above new or revised standards and interpretations are not applicable to the Authority's operations and hence did not have any effect on the financial performance and position of the Authority neither did they give rise to additional disclosures.

Standards, interpretations and amendments to public standards as endorsed by the EU 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. These are as follows:

- Amendments to IFRS 1 and IAS 27 Cost of an investment in subsidiaries, jointly controlled entities or associates (effective for financial years beginning on or after 1 January 2009). The amendments to IFRS 1 allows an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the separate financial statement. The new requirements do not have an impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES - continued

Standards, interpretations and amendments to public standards as endorsed by the EU that are not yet effective - continued

- Amendments to IFRS 2, Share Based Payment (effective for financial years beginning on or after 1 January 2009). The amendment restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. These amendments will have no effect on the Authority's operations.

- Revisions to IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009). The revisions of IFRS 3 introduce a number of changes in the accounting for business combinations which will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The revisions introduced by IFRS 3 and IAS 27 will have no effect on the Authority's operations.

- IFRS 8, Operating Segments (effective for financial years beginning on or after 1 January 2009). IFRS 8 replaces IAS 14 Segment Reporting and adopts a management-based approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. IFRS 8 is not relevant to the Authority's operations.

- Amendments to IAS 1, Presentation of Financial Statements (effective for financial years beginning on or after 1 January 2009). IAS 1 has been revised to enhance the usefulness of information presented in the financial statements. The main revisions require that the statement of changes in equity includes only transactions with shareholders; the introduction of a new statement of comprehensive income that combines all items of income and expense recognised in profit or loss together with "other comprehensive income"; and the requirement to present restatements of financial statements or retrospective application or a new accounting policy as at the beginning of the earliest comparative period, i.e. a third column on the balance sheet. The Authority will make the necessary changes to the presentation of its financial statements in 2009.

- Amendments to IAS 23, Borrowing Costs (effective for financial years beginning on or after 1 January 2009). IAS 23 will have no impact on the Authority's financial statements.

- Amendments to IAS 32 and IAS 1, Puttable Financial Instruments (effective for annual periods beginning on or after 1 January 2009). The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. These amendments are not expected to impact the financial statements of the Authority.

- Amendments to IAS 39, Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective for annual periods beginning on or after 1 July 2009). The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. IAS 39 will have no impact on the Authority's financial statements.

- IFRIC 13, Consumer Loyalty Programmes (effective for financial years beginning on or after 1 July 2008). IFRIC 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. IFRIC 13 is not relevant to the Authority.

NOTES TO THE FINANCIAL STATEMENTS - continued

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES - continued

Standards, interpretations and amendments to public standards as endorsed by the EU that are not yet effective - continued

- IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009). IFRIC 15 applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. IFRIC 15 determines whether the agreements are within the scope of IAS 11 or IAS 18 and provides guidance on when revenue from the construction of real estate should be recognised. IFRIC 15 is not relevant to the Authority's operations.

- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008). IFRIC 16 provides guidance on the accounting for a hedge of the foreign currency risk arising from a net investment in a foreign operation, qualifying for hedge accounting. IFRIC 16 is not relevant to the Authority's operations.

- IFRIC 17, Distributions of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009). IFRIC 17 applies to instances where an entity distributes assets other than cash as dividends to its owners acting in their capacity as owners. IFRIC 17 is not relevant to the Authority.

- IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009). IFRIC 18 provides additional guidance on the accounting for transfers of assets from customers and clarifies the requirements for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). IFRIC 18 is not relevant to the Authority.

- Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2009). In May 2008 the IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The Authority has not early adopted the amendments to these standards as these are not applicable to the Authority's operations and hence will not have any effect on the financial performance and position of the Authority neither will they give rise to additional disclosures. These amendments were made to the following standards:

    - IFRS 7 Financial Instruments: Disclosures
    - IAS 1 Presentation of Financial Statements
    - IAS 8 Accounting Policies, Change in Accounting Estimates and Errors
    - IAS 10 Events after the Reporting Period
    - IAS 16 Property, Plant and Equipment
    - IAS 18 Revenue
    - IAS 19 Employee Benefits
    - IAS 20 Accounting for Government Grants and Disclosures of Government Assistance
    - IAS 23 Borrowing Costs
    - IAS 27 Consolidated and Separate Financial Statements
    - IAS 28 Investment in Associates
    - IAS 29 Financial Reporting in Hyperinflationary Economies
    - IAS 31 Interest in Joint Ventures
    - IAS 34 Interim Financial Reporting
    - IAS 36 Impairment of Assets
    - IAS 38 Intangible Assets
    - IAS 39 Financial Instruments: Recognition and Measurement
    - IAS 40 Investment Property
    - IAS 41 Agriculture

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are set out below:

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for licenses, duties and application fees in the normal course of business. All revenue is recognised on the accrual basis. The following specific recognition criteria must also be met before revenue is recognised:

Licences

Revenue is recognised when the licence becomes due.

Application fees

Revenue is recognised upon receipt of 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 collectibility is in doubt.

Trade and other receivables

Trade receivables are recognised and carried at original amount due less an allowance for any uncollectible amounts. An estimate for impairment is made when collection of the full amount is no longer probable. Impaired debts are derecognised when they are assessed as uncollectible.

Amounts due from related parties are recognised and carried at cost.

Cash and cash equivalents

Cash in hand and at banks and term deposits which are held to maturity are carried at cost.

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash in hand and deposits at banks, net of outstanding bank overdrafts.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment

Property, plant and equipment, are stated at historical cost less accumulated depreciation. 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:

Improvements to leased premises	over the remaining term of the lease
Furniture and fittings	10%
Office equipment	16.67-25%
Motor vehicles	20%
Computer equipment	25%

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

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

c) there is a change in the determination of whether fulfilment is dependant on a specified asset; or

d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and at the date of renewal of extension period for scenario b).

For arrangements entered prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

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 income statement.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing the financial statements, the Board is required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted in the period the change becomes known.

In the opinion of the Board, the accounting estimates, assumptions and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised)-'Presentation of financial statements'.

5. REVENUE

Revenue represents the following:

	2008 EUR	2007 EUR
Licence fees	**1,084,147**	888,283
Duties	**37,928,328**	33,617,925
Application fees	**352,895**	290,799
Other	**293,033**	69,935
	39,658,403	34,866,942

6. ADMINISTRATIVE AND OTHER EXPENSES

	2008 EUR	2007 EUR
Staff costs	**1,125,779**	862,933
General administrative expenses	**405,357**	378,482
Professional fees	**94,854**	75,719
Promotional expenses (note i)	**396,881**	326,358
Depreciation on property, plant and equipment	**105,132**	90,745
	2,128,003	1,734,237

i. Promotional expenses are stated net of amounts recovered of EUR43,610 (2007: EUR188,686) from third parties in respect of participation in promotional activities.

NOTES TO THE FINANCIAL STATEMENTS - continued

7. OPERATING SURPLUS

The operating surplus is stated after charging:

	2008 EUR	2007 EUR
Chairman's emoluments and Board honoraria	**28,186**	27,952
Auditor's remuneration	**6,490**	3,848

8. EMPLOYEE INFORMATION

a. **Staff costs**

The total employment costs were as follows:

	2008 EUR	2007 EUR
Salaries and social security costs	**1,077,405**	829,434
Fringe benefits	**7,761**	9,171
	1,085,166	838,605

b. **Staff numbers**

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

	2008 Number	2007 Number
HR and administrative	**14**	10
Information analysis	**2**	2
Legal and enforcement	**12**	9
Compliance	**5**	5
Inspectorate	**14**	12
Total	**47**	38

9. FINANCE INCOME

	2008 EUR	2007 EUR
Bank interest receivable	**69,300**	42,683

10. TAXATION

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

NOTES TO THE FINANCIAL STATEMENTS - continued

11. PROPERTY, PLANT AND EQUIPMENT

	Improvements to leased premises EUR	Furniture and fittings EUR	Office equipment EUR	Plant and machinery EUR	Motor vehicles EUR	Computer equipment EUR	Total EUR
Cost							
At 1 January 2007	37,848	44,018	33,242	-	92,918	91,679	299,705
Additions	24,861	39,392	15,206	-	11,554	100,853	191,866
At 31 December 2007	62,709	83,410	48,448	-	104,472	192,532	491,571
Additions	-	3,203	21,714	3,089	41,720	42,580	112,306
Disposals	-	-	(231)	-	(17,470)	-	(17,701)
At 31 December 2008	**62,709**	**86,613**	**69,931**	**3,089**	**128,722**	**235,112**	**586,176**
Depreciation							
At 1 January 2007	1,891	8,199	20,568	-	48,817	38,290	117,765
Depreciation charge for the year	5,430	8,342	9,898	-	20,894	46,182	90,746
At 31 December 2007	7,321	16,541	30,466	-	69,711	84,472	208,511
Depreciation charge for the year	4,616	8,661	11,862	515	25,744	53,734	105,132
Disposals	-	-	-	-	(13,976)	-	(13,976)
At 31 December 2008	**11,937**	**25,202**	**42,328**	**515**	**81,479**	**138,206**	**299,667**
Net book value							
At 31 December 2008	**50,772**	**61,411**	**27,603**	**2,574**	**47,243**	**96,906**	**286,509**
At 31 December 2007	55,388	66,869	17,982	-	34,761	108,060	283,060

12. TRADE AND OTHER RECEIVABLES (current)

	2008 EUR	2007 EUR
Duties and licences receivable (note i)	**3,501,570**	3,679,669
Prepaid expenses	**88,515**	78,619
	3,590,085	3,758,288

i. 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	<30 days EUR	30-60 days EUR	60-90 days EUR	90-120 days EUR	>120 days EUR
2008	**3,501,570**	**2,923,339**	**187,374**	**40,553**	**38,439**	**32,735**	**279,130**
2007	3,679,669	3,519,534	132,989	997	997	25,152	-

No provision for impairment of receivables was deemed necessary as at 31 December 2008 and 2007.

NOTES TO THE FINANCIAL STATEMENTS - continued

13. TRADE AND OTHER PAYABLES (current)

	2008 EUR	2007 EUR
Amounts due to government (note i)	**3,867,460**	4,154,845
Other creditors	**267,475**	30,943
Accruals	**24,658**	14,293
Deferred income	**667,880**	484,391
	4,827,473	4,684,472

i. Amounts due to government are unsecured, interest free and have no fixed date of repayment.

14. 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.

15. CASH AND SHORT-TERM DEPOSITS

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

	2008 EUR	2007 EUR
Cash at bank and in hand	**950,879**	643,124

16. COMMITMENTS

Operating lease commitment

The commercial lease agreement on the premises used as offices by the Authority expires on 31 January 2020. The Authority has the option to terminate the lease at any time by giving six months notice. Subsequent to year-end, the lease was terminated. The future minimum rentals payable, including VAT, under these operating leases as at 31 December are as follows:

	2008 EUR	2007 EUR
Within 1 year	**92,651**	92,215
After 1 year but not more than five years	**7,721**	392,220
After 5 years	**-**	1,229,536
	100,372	1,713,971

NOTES TO THE FINANCIAL STATEMENTS - continued

17. RELATED PARTY DISCLOSURES

Related party	Year	Total amount payable to related parties EUR	Amounts owed to related parties at year end EUR	Type of transaction
Government of Malta	**2008**			
- The Treasury		**37,599,700**	**3,867,460**	**Surplus for the year**
Government of Malta	2007			
- The Treasury		33,175,387	4,154,845	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 EUR28,186 (2007: EUR27,952).

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

At the year end, the Authority's main financial assets on the balance sheet comprise trade and other receivables, and cash at bank and in hand. At the year end, there were no off-balance sheet financial assets.

At the year end, the Authority's main financial liabilities on the balance sheet 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 balance sheet 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.

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 a number of licencees 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

The Authority applies prudent liquidity risk management which implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

NOTES TO THE FINANCIAL STATEMENTS - continued

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

Fair values

The carrying amounts of cash at bank and in hand, trade receivables, trade payables and accrued expenses and short term borrowings 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. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to year-end, the company terminated the lease agreement on the premises (note 16). Consequently, during 2009 the improvements to leased premises were fully impaired.

SUPPLEMENTARY STATEMENT

	Statement
Administrative and other expenses	I

ADMINISTRATIVE AND OTHER EXPENSES

	Year ended 31 December 2008		Year ended 31 December 2007	
	EUR	EUR	EUR	EUR
Salaries and national insurance	1,085,166		838,605	
Training	24,930		2,805	
Recruitment expenses	15,683		21,523	
Staff costs		1,125,779		862,933
Depreciation		105,132		90,745
Chairman's emoluments and Board honoraria	28,186		27,952	
Subcontracted services	-		3,764	
Telecommunications	28,738		21,628	
Water and electricity	16,505		14,195	
Rent	92,215		87,547	
Insurance and licences	16,729		13,641	
Lottery supervisions	3,634		3,669	
Postage, stationery and printing	28,148		27,137	
Office expenses	5,917		7,363	
Motor vehicle running expenses	25,059		20,112	
Bank charges	2,249		2,369	
Cleaning expenses	8,850		9,704	
Subscriptions	38,123		14,822	
Repairs and maintenance	37,072		23,527	
Hire of equipment	8,168		-	
Entertainment	15,722		121	
Overseas travelling	37,566		62,888	
Certification expenses (Net)	(5,889)		24,300	
Seminars and conferences	14,640		13,743	
Loss on disposal of fixed assets	3,725		-	
General administrative expenses		405,357		378,482
Accountancy fees	-		3,415	
Professional fees	85,577		68,262	
Legal fees	2,787		194	
Auditors' remuneration	6,490		3,848	
Professional fees		94,854		75,719
Promotional expenses (note i)		396,881		326,358
		2,128,003		1,734,237

i. Promotional expenses are stated net of amounts recovered of EUR43,610 (2007: EUR 188,686) from third parties in respect of participation in promotional activities.