

LOTTERIES AND GAMING AUTHORITY

**Annual Report
and
Financial Statements**

31 December 2012

LOTTERIES AND GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2012

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GENERAL INFORMATION

Registration

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

Board Members of the Authority

Mr. Nicholas Xuereb	(Chairman)
Dr. Stanley Portelli LL.D.	
Mr. Jesmond Pace	(Resigned on 30 April 2012)
Dr. Roberta Fenech Gauci LL.D.	
Dr. Pauline Debono LL.D.	

Chief Executive Officer

Mr. Reuben Portanier

Secretary of the Board of the Authority

Dr. Natasha Galea Sciberras LL.D.	(Resigned on 28 October 2012)
Dr. Veronica Galea Debono LL.D.	(Appointed on 1 November 2012)

Head Office

Lotteries and Gaming Authority
Suite 1, Level 3
TG Complex
Brewery Street
Birkirkara BKR3000

Auditors

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

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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 2012.

Principal activity

The Lotteries and Gaming Authority was established by virtue of the Lotteries and Other Games Act, Cap. 438 of the Laws of Malta for the purposes of carrying out the functions defined in the said Act.

Results

The total operating revenue generated by the Authority during the year amounted to EUR52,673,284 (2011: EUR51,045,561). After deducting all expenditure of EUR3,263,899 (2011: EUR3,324,978) the Authority registered a surplus for the year of EUR49,450,073 (2011: EUR47,726,532). The Authority transferred EUR47,751,734 (2011: EUR47,751,734) to the Government of Malta.

Board Members of the Authority

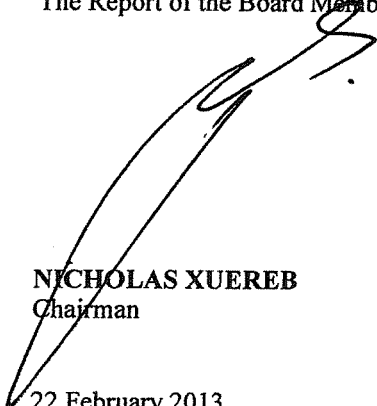
The Board Members of the Authority who served during the year under review are listed on page 2.

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

Auditors

Ernst & Young Malta Limited have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the next meeting of the Board Members of the Authority.

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



NICHOLAS XUEREB
Chairman

22 February 2013



ROBERTA FENECH GAUCI
Board member

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

We have audited the accompanying financial statements of the Lotteries and Gaming Authority ('the Authority'), set on pages 5 to 18, which comprise the statement of financial position as at 31 December 2012 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board Members' Responsibility for the Financial Statements

The Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU and the Lotteries and Other Games Act, Cap. 438 of the Laws of Malta and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by European Union; and
- have been properly prepared in accordance with the Lotteries and Other Games Act, Cap. 438 of the Laws of Malta.

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

Ernst & Young Malta Limited
Certified Public Accountants

22 February 2013

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STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2012

	Notes	2012 EUR	2011 EUR
Revenue	5	52,673,284	51,045,561
Administrative and other expenses	6	(3,263,899)	(3,324,978)
Operating surplus		49,409,385	47,720,583
Finance income	8	40,688	5,949
Surplus for the year		49,450,073	47,726,532

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

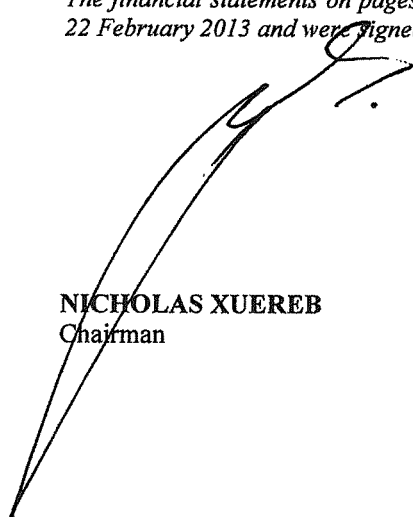
LOTTERIES AND GAMING AUTHORITY
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STATEMENT OF FINANCIAL POSITION
as at 31 December 2012

	Notes	2012 EUR	2011 EUR
ASSETS			
Non-current assets			
Property, plant and equipment	10	204,937	228,301
Current assets			
Trade and other receivables	11	5,029,166	4,427,875
Cash at bank and in hand	14	5,676,298	1,129,396
		10,705,464	5,557,271
TOTAL ASSETS		10,910,401	5,785,572
EQUITY AND LIABILITIES			
Equity reserve			
Equity reserve	13	250,000	250,000
National Lottery Reserve Fund	13	-	-
		250,000	250,000
Current liabilities			
Trade and other payables	12	10,660,401	5,535,572
TOTAL EQUITY AND LIABILITIES		10,910,401	5,785,572

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

The financial statements on pages 5 to 18 have been authorised for issue by the Board Members of the Authority on 22 February 2013 and were signed on their behalf by:


NICHOLAS XUEREB
Chairman


ROBERTA FENECH GAUCI
Board member

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STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2012

	National Lottery Reserve Fund EUR	Reserve Fund EUR	Equity reserve EUR	Total EUR
At 1 January 2012	-	-	250,000	250,000
Appropriation from statement of comprehensive income	1,037,641	48,412,432	-	49,450,073
Unclaimed prizes transferred in terms of section 54 of the Lotteries and Other Games Act, Cap. 438	368,157	-	-	368,157
Payments made to Government in terms of sections 50 and 59 of the Lotteries and Other Games Act, Cap. 438	(1,405,798)	(46,080,611)	-	(47,486,409)
Payment due to government		(2,331,821)	-	(2,331,821)
At 31 December 2012	-	-	250,000	250,000
At 1 January 2011	-	-	-	-
Appropriation from statement of comprehensive income	995,956	46,480,576	250,000	47,726,532
Unclaimed prizes transferred in terms of section 54 of the Lotteries and Other Games Act, Cap. 438	315,885	-	-	315,885
Payments made to Government in terms of sections 50 and 59 of the Lotteries and Other Games Act, Cap. 438	(1,311,841)	(46,439,893)	-	(47,751,734)
Payment due to government	-	(40,683)	-	(40,683)
At 31 December 2011	-	-	250,000	250,000

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

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STATEMENT OF CASH FLOWS
for the year ended 31 December 2012

	Note	2012 EUR	2011 EUR
Operating activities			
Surplus for the year		49,450,073	47,726,532
Adjustment to reconcile surplus for the year to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment		87,128	92,529
Provision for doubtful debts		90,266	244,873
Profit/(loss) on disposal of property, plant and equipment		(4,603)	1,029
Finance income		(40,688)	(5,949)
Working capital adjustments:			
Increase in trade and other receivables		(684,786)	(80,437)
Increase in trade and other payables		825,279	296,157
Net cash flows from operating activities		49,722,669	48,274,734
Investing activities			
Purchase of property, plant and equipment		(66,095)	(73,974)
Proceeds from disposal of property, plant and equipment		6,934	11,042
Interest received		33,917	5,949
Net cash flows used in investing activities		(25,244)	(56,983)
Financing activities			
Payments made to government		(47,486,409)	(47,751,734)
Transfer to equity reserve		-	250,000
Net cash flows from financing activities		(47,486,409)	(47,501,734)
Net movement in cash and cash equivalents		2,211,016	716,017
Cash and cash equivalents at 1 January		668,779	(47,238)
Cash and cash equivalents at 31 December	14	2,879,795	668,779

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared on a historical cost basis and are presented in Euro.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by EU and comply with the Lotteries and Other Games Act, Cap. 438 of the Laws of Malta.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Authority has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2012:

- IFRS 7 (Amendment) Transfer of financial assets disclosures (effective for financial years beginning on or after 1 July 2011)

Standards, interpretations and amendments to published standards as adopted by the European Union that are not yet effective

- IFRS 1 (Amendment) Severe Hyperinflation and removal of fixed dates for first time adopters (effective for financial years beginning on or after 1 January 2013)
- IFRS 7 (Amendment) Offsetting of financial assets and financial liabilities (effective for financial years beginning on or after 1 January 2013)
- IFRS 10 - Consolidated financial statements (effective for financial years beginning on or after 1 January 2013)
- IFRS 11 - Joint Arrangements (effective for financial years beginning on or after 1 January 2013)
- IFRS 12 - Disclosures of interests in other entities (effective for financial years beginning on or after 1 January 2013)
- IFRS 13- Fair Value Measurement (effective for financial years beginning on or after 1 January 2013)
- IFRIC 20 - Stripping costs in the production phase of a surface mine (effective for financial years beginning on or after 1 January 2013)
- IAS 1 (Amendments) Presentation of items of other comprehensive income (effective for financial years beginning on or after 1 July 2012)
- IAS 19 (Amendments) Employee benefits (effective for financial years beginning on or after 1 January 2013)
- IAS 12 Amendments – Recovery of underlying assets (effective for financial years beginning on or after 1 January 2012)
- IAS 27 Revised - Separate financial statements (effective for financial years beginning on or after 1 January 2013)
- IAS 28 Revised - Investments in associates and joint ventures (effective for financial years beginning on or after 1 January 2013)

NOTES TO THE FINANCIAL STATEMENTS - continued

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES - continued

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

- IFRS 9 - Financial Instruments (effective for financial years beginning on or after 1 January 2015)
- IFRS 7 – (Amendment) Disclosure for initial application of IFRS 9 (effective for financial years beginning on or after 1 January 2015)
- IFRS 1 – (Amendment) Government loans (effective for financial years beginning on or after 1 January 2013)
- IFRS 10, IFRS 11, and IFRS 12 (Amendments) Transition Guidance (effective for financial years beginning on or after 1 January 2013)
- IFRS 10, IFRS 12, and IAS 12 (Amendments) Investment Entities (effective for financial years beginning on or after 1 January 2013)
- Improvements to IFRSs 2009-2011 effective for financial years beginning on or after 1 January 2013)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Revenue recognition

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

Licences

Revenue is recognised when the licence becomes due. It is accounted for on a straight line basis over the term of the licence.

Application fees

Revenue is recognised upon receiving the consideration together with a valid application form.

Duties

Depending on the type of licence, revenue from duties is either charged on a fixed fee basis or is based on a percentage of the regulated companies' reported revenue, up to a capped amount for remote gaming companies.

Interest income

Interest income is recognised as the interest accrues, unless collectability is in doubt.

Trade and other receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and cash equivalents

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

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

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash in hand and deposits at banks, net of overdrawn bank balances.

Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Authority.

Amounts due to related parties are carried at cost.

Property, plant and equipment

Property, plant and equipment, are stated at historical cost less accumulated depreciation and/or accumulated impairment losses, if any. Depreciation is calculated to write off the cost of the property, plant and equipment on a straight line basis over their expected useful life as follows:

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

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

Leases

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

- a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c) there is a change in the determination of whether fulfilment is dependent on a specified asset; or
- d) there is a substantial change to the asset.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Leases - continued

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

Finance leases, which transfer to the Authority substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the statement of comprehensive income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Authority will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

5. REVENUE

Revenue comprises the following:

	2012 EUR	2011 EUR
Licence fees	3,043,367	2,359,513
Duties	48,768,087	47,612,244
Application fees	235,235	344,118
Other	626,595	729,686
	<u>52,673,284</u>	<u>51,045,561</u>

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NOTES TO THE FINANCIAL STATEMENTS - continued

6. EXPENSES BY NATURE

	2012	2011
	EUR	EUR
Auditor's remuneration	6,608	6,608
Chairman's emoluments and Board honoraria	18,742	25,263
Staff costs (note 7)	1,829,053	1,668,180
General administrative expenses	797,173	576,657
Professional fees	233,547	494,737
Promotional expenses (note i)	201,382	216,131
Depreciation on property, plant and equipment (note 10)	87,128	92,529
Provision for doubtful debts (note 11)	90,266	244,873
Total administrative and other expenses (Statement I)	3,263,899	3,324,978

- i. Promotional expenses are stated net of amounts recovered of EUR33,650 (2011: EUR43,730) from third parties in respect of participation in promotional activities.

7. EMPLOYEE INFORMATION

a. Staff costs

The total employment costs were as follows:

	2012	2011
	EUR	EUR
Salaries and social security costs	1,790,516	1,634,243
Fringe benefits	38,537	33,937
	1,829,053	1,668,180

b. Staff numbers

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

	2012	2011
	Number	Number
HR and administrative	12	12
Legal affairs	5	6
Inspectorate	21	18
Pre and post licensing compliance	19	17
Information management and analysis	3	5
Total	60	58

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NOTES TO THE FINANCIAL STATEMENTS - continued

8. FINANCE INCOME

	2012	2011
	EUR	EUR
Interest receivable on bank balances	40,688	5,949

9. TAXATION

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

10. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings EUR	Office equipment EUR	Plant and machinery EUR	Motor vehicles EUR	Computer equipment EUR	Total EUR
Cost						
At 1 January 2011	227,654	127,607	3,089	128,722	291,504	778,576
Additions	2,023	10,571		24,500	36,880	73,974
Disposals	-	-	-	(30,072)	-	(30,072)
At 31 December 2011	229,677	138,178	3,089	123,150	328,384	822,478
Additions	2,622	4,133	15,030	-	44,310	66,095
Disposals	-	-	-	(11,647)	-	(11,647)
At 31 December 2012	232,299	142,311	18,119	111,503	372,694	876,926
Depreciation						
At 1 January 2011	77,561	90,312	1,545	109,721	240,512	519,651
Depreciation charge for the year	21,627	17,221	515	9,500	43,666	92,529
Depreciation released On disposal	-	-	-	(18,003)	-	(18,003)
At 31 December 2011	99,188	107,533	2,060	101,218	284,178	594,177
Depreciation charge for the year	23,850	20,497	3,020	4,900	34,861	87,128
Depreciation released On disposal	-	-	-	(9,316)	-	(9,316)
At 31 December 2012	123,038	128,030	5,080	96,802	319,039	671,989
Net book value						
At 31 December 2012	109,261	14,281	13,039	14,701	53,655	204,937
At 31 December 2011	130,489	30,645	1,029	21,932	44,206	228,301

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NOTES TO THE FINANCIAL STATEMENTS - continued

11. TRADE AND OTHER RECEIVABLES

	2012 EUR	2011 EUR
Duties and licences receivable (note i)	5,009,049	4,328,451
Prepaid expenses	13,346	99,424
Accrued interest	6,771	-
	5,029,166	4,427,875

- i. At 31 December 2012, duties and licenses receivable at nominal value of EUR628,694 (2011: EUR538,428) were impaired and fully provided for (Note 6).

Provision for doubtful debts	2012 EUR	2011 EUR
Opening balance	538,428	293,555
Increase in provision for doubtful debts	90,266	244,873
Closing balance	628,694	538,428

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

	Total EUR	Neither past due nor impaired EUR	Past due but not impaired			
			<30 days EUR	30-60 days EUR	60-90 days EUR	90 days EUR
2012	5,009,049	4,496,452	101,360	169,625	169,576	72,036
2011	4,328,451	3,702,595	182,389	212,438	66,941	164,088

12. TRADE AND OTHER PAYABLES

	2012 EUR	2011 EUR
Amounts due to government (note i)	6,100,251	3,718,679
Unclaimed deposits (note ii)	2,796,503	460,617
Other payables	227,079	127,831
Accruals	131,293	131,270
Deferred income	1,405,275	1,097,175
	10,660,401	5,535,572

- i. Amounts due to government are unsecured, interest free and have no fixed date of repayment. These amounts are payable to the Government of Malta under the provisions of the Lotteries and Other Games Act, Cap. 438 of the Laws of Malta.

NOTES TO THE FINANCIAL STATEMENTS - continued

12. TRADE AND OTHER PAYABLES - continued

- ii. Balance includes unclaimed player deposits and dormant accounts from Remote Gaming that are passed on to the Authority by the gaming licensee when no transactions have been recorded on players' account for thirty months. The money is kept in a separate bank account at the Authority's discretion, to be used for the setting up and operation of the Responsible Gaming Foundation or such other use as may be determined by the Board.

13. RESERVES

a. Equity reserve

Funds for the creation of the Reserve have been retained from the gaming taxes collected during the year 2012. This was transferred to Equity reserve with approval of the Ministry of Finance.

b. National Lottery Reserve Fund

By virtue of section 59(1) of the Lotteries and Other Games Act, Cap. 438 of the Laws of Malta, the National Lottery Licensee is to pay funds standing in its Unclaimed Prizes Reserve to the Authority. All funds received are to be credited to the National Lottery Reserve Fund. In accordance with section 50(6) of the same Act, all funds credited to the latter reserve shall be paid, not later than six weeks after the financial year end, to the National Lotteries Good Causes Fund held by the Treasury Department.

14. CASH AND CASH EQUIVALENTS

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

	2012	2011
	EUR	EUR
Cash at bank and in hand (note i)	5,676,298	1,129,396
Unclaimed deposits (note 12)	(2,796,503)	(460,617)
	2,879,795	668,779

- i. Balance includes unclaimed players deposits amounting to EUR2,796,503 (2011: EUR460,617) that are passed on to the Authority by a gaming operator, normally in circumstances where an operator closes its business. The law stipulates that money which can be potentially claimed by the players is held intact.

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NOTES TO THE FINANCIAL STATEMENTS - continued

15. COMMITMENTS

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

	2012 EUR
Within 1 year	156,630
After 1 year but not more than five years	65,263
	<u>221,893</u>

16. RELATED PARTY DISCLOSURES

Related party	Year	Total transactions with related parties EUR	Amounts owed to related parties at year end EUR	Type of transaction
Government of Malta - The Treasury	2012	49,450,073	6,100,251	Surplus for the year
Government of Malta - The Treasury	2011	47,726,532	3,718,679	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 EUR18,742 (2011: EUR25,263).

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

At the year end, the Authority's main financial liabilities on the statement of financial position consisted of amounts due to government, other payables, accruals and deferred income.

Contractual maturity profile of financial liabilities

The presentation of the financial assets and liabilities listed above under the current and non-current headings within the statement of financial position is intended to indicate the timing in which cash flows will arise.

The maturity profile of the financial liabilities of the Authority as at year end is as disclosed in note 12.

NOTES TO THE FINANCIAL STATEMENTS - continued

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Credit risk

The Authority trades only with licensed, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Authority's exposure to impaired debts is not significant. Carrying amounts for trade receivables are stated net of any impairment provisions, when necessary, which are prudently made against debts in respect of which management reasonably believes that recoverability is doubtful. Credit risk with respect to debts is limited due to the number of licensees comprising the Authority's debtors' base. The Authority's cash at bank is placed with quality financial institutions. The Authority has no significant concentration of credit risk.

Liquidity risk

Liquidity risk is the risk the Authority will not be able to meet its financial obligations as they fall due. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal or stressed conditions, without incurring unacceptable losses or risking damage to the Authority's reputation.

Fair values

The carrying amounts of cash at bank and in hand, trade receivables, trade payables and accrued expenses and approximated their fair values.

Interest rate risk

With the exception of cash and bank balances, the value of the Authority's assets and liabilities are not subject to interest-rate movements.

LOTTERIES AND GAMING AUTHORITY
Supplementary Statement for the year ended 31 December 2012

SUPPLEMENTARY STATEMENT

	Statement
Administrative and other expenses	I

ADMINISTRATIVE AND OTHER EXPENSES

	31 December 2012		31 December 2011	
	EUR	EUR	EUR	EUR
Salaries and national insurance	1,829,053		1,668,180	
Training	46,439		8,244	
Recruitment expenses	3,213		5,742	
Staff costs		1,878,705		1,682,166
Depreciation		87,128		92,529
Chairman's emoluments and Board honoraria	18,742		25,263	
Subcontracted services	42,310		11,729	
Telecommunications	33,241		31,809	
Water and electricity	32,415		31,910	
Rent	168,378		184,823	
Insurance and licences	20,671		25,295	
Lottery supervisions	25,056		26,705	
Postage, stationery and printing	44,580		37,539	
Office expenses	8,244		7,564	
Motor vehicle running expenses	34,200		30,539	
Bank charges	1,881		2,813	
Cleaning expenses	770		155	
Subscriptions	41,242		36,700	
Repairs and maintenance	42,054		55,062	
Entertainment	3,608		2,068	
Overseas travelling	128,082		59,270	
Certification expenses (net)	-		818	
Seminars and conferences	30,348		16,843	
Regulatory development expenses	95,044		-	
(Profit)/loss on disposal of property, plant and equipment	(4,603)		1,029	
Provision for doubtful debts	90,266		244,873	
General administrative expenses		856,529		832,807
Accountancy fees	1,487		34,893	
Professional fees	232,046		459,725	
Legal fees	14		119	
Auditors' remuneration	6,608		6,608	
Professional fees		240,155		501,345
Promotional expenses (note i)		201,382		216,131
		3,263,899		3,324,978

- i. Promotional expenses are stated net of amounts recovered of EUR33,650 (2011: EUR43,730) from third parties in respect of participation in promotional activities.