

Lotteries and Gaming Authority
Report and financial statements
For the year ended 31 December 2004

Table of contents

	Page
Statement of responsibilities of the Authority	1
Report of the auditors	2
Income and expenditure account	3
Balance sheet	4
Statement of changes in net assets/equity	5
Cash flow statement	6
Notes to the financial statements	7 - 11

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 2004 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

1 July 2005

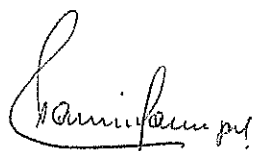
Income and expenditure account

	Note	2004 Lm	2003 (16 months) Lm
Income	3	7,607,121	6,319,719
Staff costs	4	127,215	55,598
Professional and consultancy fees		34,668	44,374
Promotional expenses		19,314	2,678
Administrative expenses		232,604	275,021
Depreciation		10,685	2,381
		424,486	380,052
Surplus for the year/period	5	7,182,635	5,939,667

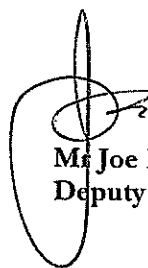
Balance sheet at 31 December

	Note	2004 Lm	2003 Lm
Non-current assets			
Tangible fixed assets	7	38,964	3,502
Current assets			
Debtors	8	831,398	464,079
Cash at bank and in hand		52,235	62,301
Creditors: amounts falling due within one year	9	883,633 (922,597)	526,380 (529,882)
Net current assets/(liabilities)		(38,964)	(3,502)
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 1 July 2005 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	-	5,939,667
Payment made to Government in terms of section 50 of the Lotteries and Other Games Act, Cap 438	-	(5,886,684)
Payment due to Government	-	(52,983)
	<hr/>	<hr/>
At 31 December 2003	-	-
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	-	-

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	2004 Lm	2003 Lm
Operating activities			
Cash generated from operations	11(a)	6,879,311	5,494,868
Payments made to Government		(7,193,230)	(5,886,684)
		<hr/>	<hr/>
Net cash used in operating activities		(313,919)	(391,816)
		<hr/>	<hr/>
Financing activities			
Advance from Government		350,000	460,000
		<hr/>	<hr/>
Investing activities			
Payments to acquire tangible fixed assets	11(b)	(46,147)	(5,883)
		<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents		(10,066)	62,301
Cash and cash equivalents at beginning of period	11(c)	62,301	-
		<hr/>	<hr/>
Cash and cash equivalents at end of period	11(c)	52,235	62,301
		<hr/>	<hr/>

Notes to the financial statements

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.

Tangible fixed assets

Tangible fixed assets 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	25
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

	2004	2003 (16 months)
	Lm	Lm
Income comprises:		
Casino duty and licences	3,915,545	4,830,663
Online betting duty	1,217,598	1,158,986
Bingo hall licences and duty	254,583	325,814
National Lottery licences and duty	2,186,239	-
Online applications and renewal fees	28,457	-
	<hr/> 7,602,422	<hr/> 6,315,463
Interest receivable	3,374	2,919
Sundry income	1,325	1,337
	<hr/> 7,607,121	<hr/> 6,319,719

4 Staff costs

	2004	2003 (16 months)
	Lm	Lm
Wages and salaries	118,822	51,901
Social security costs	7,619	3,657
Recruitment costs	120	40
Training expenses	654	-
	<hr/> 127,215	<hr/> 55,598
Average number of employees	<hr/> 12	<hr/> 8

Notes to the financial statements (continued)

5 Surplus for the year/period

	2004 Lm	2003 Lm
The surplus for the year/period is stated after charging:		
Chairman's emoluments and Board's honoraria	9,600	15,800
Auditors' remuneration	375	350
	<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 Tangible fixed assets

	Motor vehicles Lm	Furniture & fittings Lm	Office equipment Lm	Computer equipment Lm	Total Lm
Cost					
At 1 January 2004	-	-	2,532	3,351	5,883
Additions	29,805	5,552	5,480	5,310	46,147
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	29,805	5,552	8,012	8,661	52,030
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 January 2004	-	-	1,237	1,144	2,381
Charge for the year	5,961	555	2,003	2,166	10,685
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	5,961	555	3,240	3,310	13,066
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 December 2004	23,844	4,997	4,772	5,351	38,964
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	23,844	4,997	1,295	2,207	3,502
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

8 Debtors

	2004 Lm	2003 Lm
Prepayments and accrued income	831,398	464,079
	<hr/>	<hr/>

Notes to the financial statements (continued)

9 Creditors: amounts falling due within one year

	2004 Lm	2003 Lm
Advance repayable to Government	810,000	460,000
Other amounts due to Government	90,639	52,983
Other creditors	5,570	-
Accruals and deferred income	16,388	16,899
	<hr/>	<hr/>
	922,597	529,882
	<hr/>	<hr/>

10 Financial instruments

Financial assets include debtors and cash held at bank and in hand. Financial liabilities include creditors. At 31 December 2004 and 2003, 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 2004 and 2003, 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

	2004 Lm	2003 Lm
Surplus for the year/period	7,182,635	5,939,667
Adjustment for:		
Depreciation	10,685	2,381
	<hr/>	<hr/>
Operating surplus before working capital changes	7,193,320	5,942,048
Increase in debtors	(367,319)	(464,079)
Increase in creditors	53,310	16,899
	<hr/>	<hr/>
	6,879,311	5,494,868
	<hr/>	<hr/>

Notes to the financial statements (continued)

11 Notes to the cash flow statement (continued)

(b) Tangible fixed assets

During the year, the Authority acquired fixed assets with an aggregate cost of Lm 46,147 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 amount:

	2004 Lm	2003 Lm
Cash in hand and balances with banks	52,235	62,301

Income and expenditure account (detailed)

	2004	2003 (16 months)
	Lm	Lm
Income		
Fees:		
Casino duty and licences	3,915,545	4,830,663
Online betting duty	1,217,598	1,158,986
Bingo hall licences and duty	254,583	325,814
National Lottery licences and duty	2,186,239	-
Online applications and renewal fees	28,457	-
Other:		
Interest receivable	3,374	2,919
Sundry income	1,325	1,337
	<hr/>	<hr/>
Total income	7,607,121	6,319,719
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Staff costs		
Salaries and N.I.	126,441	55,558
Training	654	-
Recruitment expenses	120	40
	<hr/>	<hr/>
	127,215	55,598
	<hr/>	<hr/>
Professional and consultancy fees		
Consultancy fees	26,967	23,424
Professional fees	2,636	10,150
Legal fees	4,690	10,450
Auditors' remuneration	375	350
	<hr/>	<hr/>
	34,668	44,374
	<hr/>	<hr/>
Promotional expenses		
Advertising and promotional	19,314	2,678
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Income and expenditure account (detailed - continued)

	2004	2003
	Lm	(16 months) Lm
Administrative expenses		
Chairman's emoluments and Board honoraria	9,600	15,800
Secretary fees	1,200	700
Telecommunications	4,136	2,717
Water and electricity	1,452	1,000
Rent	32,283	-
Insurance	2,330	-
Casino inspectorate	159,488	238,709
Postage, stationery and printing	5,950	7,210
Office expenses	7,610	1,842
Entertainment	891	839
Travelling expenses	6,011	6,155
Motor vehicle running expenses	1,521	-
Bank charges	132	49
	<hr/>	<hr/>
	232,604	275,021
	<hr/>	<hr/>
Depreciation	10,685	2,381
	<hr/>	<hr/>
Total expenses	424,486	380,052
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Surplus for the year/period	7,182,635	5,939,667
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