

LOTTERIES AND GAMING AUTHORITY

**Annual Report
and
Financial Statements**

31 December 2007

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LOTTERIES AND GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2007

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

Dr. Joseph Zammit Maempel (Chairman)
Mr. Joseph Ross (Deputy Chairman)
Dr. Michael Xuereb
Mr. Jesmond Pace
Dr. Roberta Fenech Gauci

Secretary of the Board of the Authority

Dr. Richard Sladden

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 2007.

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 income generated by the Authority during the year amounted to Lm14,968,378 (2006: Lm13,746,047) out of which Lm13,656,139 (2006: Lm12,636,036) was transferred to the Government of Malta. After deducting all expenditure of Lm744,508 (2006: Lm577,831) the Authority registered a surplus for the year of Lm14,242,194 (2006: Lm13,177,252).

Board members of the Authority

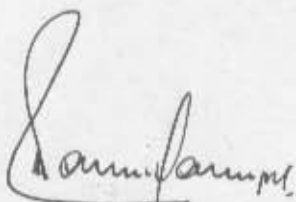
The board members of the Authority who served during the year under review are listed on page 2.

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 minister responsible for finance 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 Annual General Meeting.

The report of the board members of the Authority is signed on their behalf by:



DR. JOSEPH ZAMMIT MAEMPEL
Chairman



DR. MICHAEL XUEREB
Board member

26 June 2008

INDEPENDENT AUDITORS' 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 2007 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 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.

Auditors' 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 2007, and of its financial performance and its 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 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 June 2008

LOTTERIES AND GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2007

INCOME STATEMENT
for the year ended 31 December 2007

	Notes	2007 Lm	2006 Lm
Revenue	4	14,968,378	13,746,047
Administrative and other expenses	5	(744,508)	(577,831)
Operating surplus	6	14,223,870	13,168,216
Finance revenue	8	18,324	9,036
Surplus for the year		14,242,194	13,177,252

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


LOTTERIES AND GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2007

BALANCE SHEET
as at 31 December 2007

	Page	Notes	2007 Lm	2006 Lm
ASSETS				
Non-current assets				
Property, plant and equipment		10	121,518	78,107
Current assets				
Trade and other receivables		11	1,613,433	1,309,958
Cash at bank and in hand		14	276,093	374,619
			1,889,526	1,684,577
TOTAL ASSETS			2,011,044	1,762,684
EQUITY AND LIABILITIES				
Equity				
Reserve fund	7		-	-
National Lottery reserve fund	7	13	-	-
			-	-
Current liabilities				
Trade and other payables		12	2,011,044	1,762,684
TOTAL EQUITY AND LIABILITIES			2,011,044	1,762,684

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 June 2008 and were signed on their behalf by:


DR. JOSEPH ZAMMIT MAEMPEL
 Chairman


DR. MICHAEL XUEREB
 Board Member

LOTTERIES AND GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2007

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2007

	Page	National lottery reserve fund Lm	Reserve fund Lm	Total Lm
At 1 January 2006				
Appropriation from income statement		405,580	12,771,672	13,177,252
Unclaimed prizes transferred in terms of section 54 of the Lotteries and Gaming Act, Cap.438	17	276,191	-	276,191
Payments made to Government in terms of Sections 50 and 59 of the Lotteries and Other Games Act, Cap.438		(681,771)	(12,636,036)	(13,317,807)
Payment due to government		-	(135,636)	(135,636)
At 31 December 2006	6	-	-	-
At 1 January 2007				
Appropriation from income statement		402,092	13,840,102	14,242,194
Unclaimed prizes transferred in terms of section 54 of the Lotteries and Gaming Act, Cap.438	17	303,556	-	303,556
Payments made to Government in terms of sections 50 and 59 of the Lotteries and Other Games Act, Cap.438		(705,648)	(13,656,139)	(14,361,787)
Payment due to government		-	(183,963)	(183,963)
At 31 December 2007	6	-	-	-

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

LOTTERIES AND GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2007

CASH FLOW STATEMENT
for the year ended 31 December 2007

	Note	2007 Lm	2006 Lm
Operating activities			
Surplus for the year		14,242,194	13,177,252
Adjustment to reconcile surplus to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment		38,957	23,120
Interest income		(18,324)	(9,036)
Working capital adjustments:			
Increase in trade and other receivables		(303,300)	(206,088)
Increase in trade and other payables		64,396	157,254
Net cash flows from operating activities		14,023,923	13,142,502
Investing activities			
Purchase of property, plant and equipment		(82,368)	(57,712)
Interest received		18,149	8,912
Net cash flows used in investing activities		(64,219)	(48,800)
Financing activities			
Repayment to government		(14,058,230)	(13,041,616)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		(98,526)	52,086
CASH AND CASH EQUIVALENTS AT 1 JANUARY		374,619	322,533
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	276,093	374,619

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 Gaming Act, Cap.438 of the Laws of Malta. The principal activity of the Authority is to regulate lotteries and other gaming activities in Malta.

1.1 BASIS OF PREPARATION

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

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the Lotteries and Other Games Act, Cap.438 of the Laws of Malta.

2. CHANGES IN ACCOUNTING POLICIES

Standards, interpretations and amendments to published standards effective in 2007

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 1 January 2007. The changes in accounting policies result from adoption of the following new or revised standards.

IFRS 7 Financial Instruments: Disclosures - this standard requires disclosures that enable users of the financial statements to evaluate the significance of the Authority's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 Amendment: Presentation of Financial Statements - Capital Disclosures, this amendment requires disclosures to enable users of the financial statements to evaluate the Authority's objectives, policies and processes for managing capital. The Authority is bound to comply with the Lotteries and Gaming Act, Cap.438 of the Laws of Malta.

IFRIC 8 Scope of IFRS 2 - this Interpretation requires IFRS 2 Share-Based Payments to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As the Authority does not have any share-based payments and no equity instruments are issued to employees, the Interpretation had no impact on its financial position or performance.

IFRIC 9 Reassessment of Embedded Derivatives - this amendment states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Authority has no embedded derivatives requiring separation from the host contract, the Interpretation had no impact on the financial position or performance of the Authority.

IFRIC 10 Interim Financial Reporting and Impairment - this Interpretation requires that an Authority must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Authority had no impairment losses previously reversed, the Interpretation had no impact on the financial position or performance of the Authority.

NOTES TO THE FINANCIAL STATEMENTS - continued

2. CHANGES IN ACCOUNTING POLICIES - continued

Standards, interpretations and amendments to published standards that are not yet effective

Up to the date of approval of the financial statements, certain new standards, interpretations and amendments to existing standards have been published but are not yet effective for the current reporting period and which the Authority has not early adopted, as follows:

(i) Standards and interpretations issued by the IASB and adopted by the EU

IFRS 8 'Operating Segments' (*effective for annual periods 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.

IFRIC 11, IFRS 2 'Group and Treasury Share Transactions' (*effective for annual periods beginning on or after 1 March 2007*). IFRIC 11 requires arrangements whereby an employee is granted options to buy equity shares, to be accounted for as equity-settled schemes by an Authority even if the entity chooses or is required to buy those equity shares from another party, or the shareholders of the entity provide the equity instruments granted. The Interpretation also extends to the way in which subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to equity instruments of the parent. IFRIC 11 is not relevant to the Authority's operations.

(ii) Standards and interpretations issued by the IASB but not yet adopted by the EU

Amendment to IAS 23 'Borrowing costs' (*effective for annual periods beginning on or after 1 January 2009*). The benchmark treatment in the existing standard of expensing all borrowing costs to the income statement is eliminated in the case of qualifying assets. All borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset must be capitalised. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. IAS 23 will have no impact on the Authority's financial statements.

IFRIC 12 'Service Concession Arrangements' (*effective for annual periods beginning on or after 1 January 2008*). IFRIC 12 outlines an approach to account for contractual (service concession) arrangements arising from entities providing public services. It provides that the operator should not account for the infrastructure as property, plant and equipment, but recognise a financial asset and/or an intangible asset. IFRIC 12 is not relevant to the Authority.

IFRIC 13 'Customer Loyalty Programmes' (*effective for annual periods 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 and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Authority expects that this Interpretation will have no impact on its financial statements as no such schemes currently exist.

IFRIC 14 'IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' (*effective for annual periods beginning on or after 1 January 2008*). IFRIC 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. It also explains how this limit, also referred to as the "asset ceiling test", may be influenced by a minimum funding requirement and aims to standardise current practice. The Authority expects that this Interpretation will have no impact on its financial position or performance as all defined benefit schemes are currently in deficit.

NOTES TO THE FINANCIAL STATEMENTS - continued

2. CHANGES IN ACCOUNTING POLICIES - continued

Amendments to IAS 1 'Presentation of Financial Statements' (*effective for annual periods beginning on or after 1 January 2009*). IAS 1 has been revised to enhance the usefulness of information presented in the financial statements. Of the main revisions are the requirement 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 of 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 IFRS 2 'Share Based Payment' - Vesting Conditions and Cancellations (*effective for annual periods beginning on or after 1 January 2009*). The amendment clarifies two issues: The definition of 'vesting condition', introducing the term 'non-vesting condition' for conditions other than service conditions and performance conditions. It also clarifies that the same accounting treatment applies to awards that are effectively cancelled by either the entity or the counterparty. The Authority expects that this Interpretation will have no impact on its financial statements.

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*). A revised version of IFRS 3 Business Combinations and an amended version of IAS 27 Consolidated and Separate Financial Statements were issued by IASB on January 10, 2008. IFRS 3R introduces 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. Such changes include the expensing of acquisition-related costs and recognising subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). IAS 27R requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3R and IAS 27R 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. The Authority does not expect these amendments to impact the financial statements of the Authority.

2.1 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:

NOTES TO THE FINANCIAL STATEMENTS - continued

2.1 SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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%

NOTES TO THE FINANCIAL STATEMENTS - continued

2.1 SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment - continued

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 or 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS - continued

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'.

4. REVENUE

Revenue represents the following:

	2007	2006
	Lm	Lm
Licence fees	381,340	217,127
Duties	14,432,175	13,448,745
Application fees	124,840	66,516
Other	30,023	13,659
	14,968,378	13,746,047

5. ADMINISTRATIVE AND OTHER EXPENSES

	2007	2006
	Lm	Lm
Staff costs	370,457	263,832
General administrative expenses	162,483	182,783
Professional fees	32,506	23,224
Promotional expenses (note i)	140,105	84,872
Depreciation	38,957	23,120
	744,508	577,831

- i. Promotional expenses are stated net of amounts recovered of Lm81,003 (2006: Lm15,210) from third parties in respect of participation in promotional activities.

6. OPERATING SURPLUS

The operating surplus is stated after charging:

	2007	2006
	Lm	Lm
Chairman's emoluments and Board honoraria	12,000	12,000
Auditors' remuneration	1,652	1,534

LOTTERIES AND GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2007

NOTES TO THE FINANCIAL STATEMENTS - continued

7. EMPLOYEE INFORMATION

a. **Staff costs**

The total employment costs were as follows:

	2007 Lm	2006 Lm
Salaries, wages and social security costs	356,076	258,720
Fringe benefits	3,937	1,264
	<u>360,013</u>	<u>259,984</u>

b. **Staff numbers**

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

	2007 Number	2006 Number
HR and administrative	10	8
Information analysis	2	1
Legal and enforcement	9	6
Compliance	5	4
Inspectorate	12	9
Total	<u>38</u>	<u>28</u>

8. FINANCE REVENUE

	2007 Lm	2006 Lm
Bank interest receivable	18,324	9,036

9. 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.

LOTTERIES AND GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2007

NOTES TO THE FINANCIAL STATEMENTS - continued

10. PROPERTY, PLANT AND EQUIPMENT

	Improvements to leased premises Lm	Furniture and fittings Lm	Office equipment Lm	Motor vehicles Lm	Computer equipment Lm	Total Lm
Cost						
At 1 January 2006	-	10,753	10,732	35,090	14,377	70,952
Additions	16,248	8,144	3,539	4,800	24,981	57,712
At 31 December 2006	16,248	18,897	14,271	39,890	39,358	128,664
Additions	10,673	16,911	6,528	4,960	43,296	82,368
At 31 December 2007	26,921	35,808	20,799	44,850	82,654	211,032
Depreciation						
At 1 January 2006	-	1,631	5,923	12,979	6,904	27,437
Depreciation charge for the year	812	1,889	2,907	7,978	9,534	23,120
At 31 December 2006	812	3,520	8,830	20,957	16,438	50,557
Depreciation charge for the year	2,331	3,581	4,249	8,970	19,826	38,957
At 31 December 2007	3,143	7,101	13,079	29,927	36,264	89,514
Net book value						
At 31 December 2007	23,778	28,707	7,720	14,923	46,390	121,518
At 31 December 2006	15,436	15,377	5,441	18,933	22,920	78,107

11. TRADE AND OTHER RECEIVABLES (current)

	2007 Lm	2006 Lm
Duties and licences receivables (note i)	1,579,682	1,283,399
Prepaid expenses	33,751	26,559
	1,613,433	1,309,958

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

	Total Lm	Neither past due nor impaired Lm	<30 days Lm	30-60 days Lm	60-90 days Lm	90-120 days Lm
2007	1,579,682	1,510,936	57,092	428	428	10,798
2006	1,283,399	1,187,052	34,161	30,310	4,008	27,868

No provision for impairment of receivables was deemed necessary as at 31 December 2007 and 2006.

LOTTERIES AND GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2007

NOTES TO THE FINANCIAL STATEMENTS - continued

12. TRADE AND OTHER PAYABLES (current)

	2007 Lm	2006 Lm
Amounts due to government (note i)	1,783,675	1,599,711
Other creditors	13,284	7,804
Accruals	6,136	8,311
Deferred income	207,949	146,858
	2,011,044	1,762,684

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

13. 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 AT BANK AND IN HAND

Cash at bank and in hand 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:

	2007 Lm	2006 Lm
Cash at bank and in hand	276,093	374,619

15. COMMITMENTS

Operating lease commitment

The commercial lease agreement on the premises used as offices by the Authority expires on 31 January 2020.

The future minimum rentals payable, including VAT, under these operating leases as at 31 December are as follows:

	2007 Lm	2006 Lm
Within 1 year	39,588	37,524
After 1 year but not more than five years	168,380	163,487
After 5 years	527,840	572,321
	735,808	773,332

NOTES TO THE FINANCIAL STATEMENTS - continued

16. RELATED PARTY DISCLOSURES

Related party	Year	Total amount payable to related parties Lm	Amounts owed to related parties at year end Lm	Type of transaction
Government of Malta - The Treasury	2007	14,242,194	1,783,675	Surplus for the year
Government of Malta - The Treasury	2006	13,177,252	1,599,711	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 5) are salaries paid to the Chairman and Board members amounting to Lm12,000 (2006: Lm12,000).

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 12.

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 licences 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

17. 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.

18. KEY FINANCIALS IN EURO

Following Malta's adoption of the Euro as its national currency on 1 January 2008, the Authority's financial currency will be changed from Maltese Lira to Euro at the irrevocably fixed conversion rate of €1: Lm0.429300 as at that date.

	2007	2006	2007	2006
	EUR	EUR	Lm	Lm
Income statement				
Revenue	34,866,942	32,019,676	14,968,378	13,746,047
Surplus for the year	33,175,388	30,694,740	14,242,194	13,177,252
Balance sheet				
Total assets	4,684,472	4,105,949	2,011,044	1,762,684
Total liabilities	4,684,472	4,105,949	2,011,044	1,762,684
Cash flow statement				
Cashflows from operating activities	32,666,953	30,613,794	14,023,923	13,142,502
Cashflows used in investing activities	(149,590)	(113,673)	(64,219)	(48,800)
Cashflows used in financing activities	(32,746,867)	(30,378,793)	(14,058,230)	(13,041,616)

SUPPLEMENTARY STATEMENT

	Statement
Administrative and other expenses	1

ADMINISTRATIVE AND OTHER EXPENSES

	Year ended 31 December 2007		Year ended 31 December 2006	
	Lm	Lm	Lm	Lm
Salaries and national insurance	360,013		259,984	
Training	1,204		301	
Recruitment expenses	9,240		3,547	
Staff costs		370,457		263,832
Depreciation		38,957		23,120
Chairman's emoluments and Board honoraria	12,000		12,000	
Subcontracted services	1,616		-	
Telecommunications	9,285		12,770	
Water and electricity	6,094		4,193	
Rent	37,584		37,287	
Insurance and licences	5,856		2,445	
Lottery supervisions	1,575		1,575	
Postage, stationery and printing	11,650		8,331	
Office expenses	3,161		3,613	
Motor vehicle running expenses	8,634		6,025	
Bank charges	1,017		900	
Cleaning expenses	4,166		4,167	
Subscriptions	6,363		7,820	
Repairs and maintenance	10,100		7,301	
Entertainment	52		2,305	
Overseas travelling	26,998		36,362	
Certification expenses (Net)	10,432		12,019	
Seminars and conferences	5,900		23,670	
General administrative expenses		162,483		182,783
Accountancy fees	1,466		1,876	
Professional fees	29,305		17,678	
Legal fees	83		2,136	
Auditors' remuneration	1,652		1,534	
Professional fees		32,506		23,224
Promotional expenses (note i)		140,105		84,872
		744,508		577,831

- i. Promotional expenses are stated net of amounts recovered of Lm81,003 (2006: Lm15,210) from third parties in respect of participation in promotional activities.