

MALTA GAMING AUTHORITY

**Annual Report
and
Financial Statements**

31 December 2014

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MALTA GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2014

GENERAL INFORMATION

Registration

The Malta 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. Joseph Cuschieri	(Chairman)
Dr. Chris Cilia	(Deputy Chairman)
Dr. Rachel Tua	
Mr. Caesar Grech	
Ms. Ruth Trapani Galea	

Chief Executive Officer

Mr. Joseph Cuschieri

Secretary of the Board of the Authority

Dr. Matthew Bondin

Head Office

Malta 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

MALTA GAMING AUTHORITY
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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 2014.

Principal activity

The Malta 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 EUR58,388,232 (2013: EUR52,723,418). After deducting all expenditure of EUR8,948,005 (2013: EUR2,920,307) the Authority registered a surplus for the year of EUR49,553,560 (2013: EUR49,888,006). The Authority transferred EUR53,210,852 (2013: EUR48,774,199) to the Government of Malta.

Board Members of the Authority

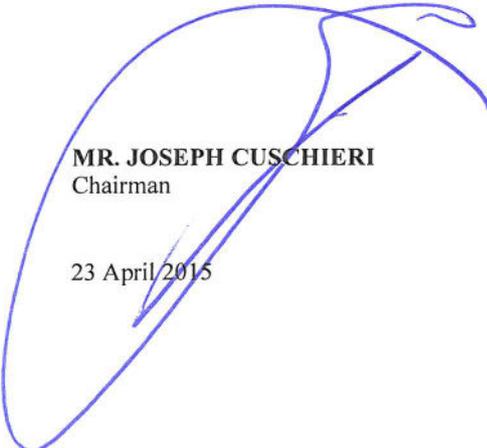
The Board Members of the Authority who served during the year under review are listed on page 2.

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 Minister for the Economy, Investment and Small Business 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:



MR. JOSEPH CUSCHIERI
Chairman

23 April 2015



DR. CHRIS CILIA
Deputy Chairman



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

We have audited the accompanying financial statements of the Malta Gaming Authority ('the Authority'), set on pages 5 to 20, which comprise the statement of financial position as at 31 December 2014 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 2014, 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.

Emphasis of Matter

We draw attention to Note 19 - Contingent Liabilities to the financial statements which describes the uncertainty related to claims made by the operators against the Authority. Our opinion is not qualified in respect of this matter.

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

Ernst & Young Malta Limited
Certified Public Accountants

23 April 2015

MALTA GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2014

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2014

	Notes	2014 EUR	2013 EUR
Revenue	5	58,388,232	52,723,418
Administrative and other expenses	6	(5,648,005)	(2,920,307)
Operating surplus		52,740,227	49,803,111
Provision for claims	8	(3,300,000)	-
Finance income	9	113,333	84,895
Surplus for the year		49,553,560	49,888,006

The accounting policies and explanatory notes on pages 9 to 20 form an integral part of the financial statements.

MALTA GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2014

STATEMENT OF FINANCIAL POSITION
as at 31 December 2014

	Notes	2014 EUR	2013 EUR
ASSETS			
Non-current assets			
Property, plant and equipment	11	315,735	172,974
Current assets			
Trade and other receivables	12	7,039,298	5,644,280
Cash at bank and in hand	15	9,174,582	7,870,534
		16,213,880	13,514,814
TOTAL ASSETS		16,529,615	13,687,788
EQUITY AND LIABILITIES			
Equity reserve	13	250,000	250,000
National Lottery Reserve Fund	13	-	-
		250,000	250,000
Non-Current Liabilities			
Provisions for claims	8	3,300,000	-
Current liabilities			
Trade and other payables	14	12,979,615	13,437,788
Total liabilities		16,279,615	13,437,788
TOTAL EQUITY AND LIABILITIES		16,529,615	13,687,788

The accounting policies and explanatory notes on pages 9 to 20 form an integral part of the financial statements.

The financial statements on pages 5 to 20 have been authorised for issue by the Board Members of the Authority on 23 April 2015 and were signed on their behalf by:

MR. JOSEPH CUSCHIERI
Chairman

DR. CHRIS CILIA
Deputy Chairman

MALTA GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2014

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014

	National Lottery Reserve Fund EUR	Reserve Fund EUR	Equity reserve EUR	Total EUR
At 1 January 2014	-	-	250,000	250,000
Appropriation from statement of comprehensive income	968,063	48,585,497	-	49,553,560
Unclaimed prizes transferred in terms of section 54 of the Lotteries and Other Games Act, Cap. 438	972,656	-	-	972,656
Payments made to Government in terms of sections 50 and 59 of the Lotteries and Other Games Act, Cap. 438	(1,940,719)	(51,270,133)	-	(53,210,852)
Payment due from Government	-	2,684,636	-	2,684,636
At 31 December 2014	-	-	250,000	250,000
At 1 January 2013	-	-	250,000	250,000
Appropriation from statement of comprehensive income	965,532	48,922,474	-	49,888,006
Unclaimed prizes transferred in terms of section 54 of the Lotteries and Other Games Act, Cap. 438	321,968	-	-	321,968
Payments made to Government in terms of sections 50 and 59 of the Lotteries and Other Games Act, Cap. 438	(1,287,500)	(47,486,699)	-	(48,774,199)
Payment due to Government	-	(1,435,775)	-	(1,435,775)
At 31 December 2013	-	-	250,000	250,000

The accounting policies and explanatory notes on pages 9 to 20 form an integral part of the financial statements.

MALTA GAMING AUTHORITY
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STATEMENT OF CASH FLOWS
for the year ended 31 December 2014

	Note	2014 EUR	2013 EUR
Operating activities			
Surplus for the year		49,553,560	49,888,006
Adjustment to reconcile surplus for the year to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment		116,644	71,161
Increase/(decrease) in provision for doubtful debts		255,208	(202,576)
Profit on disposal of property, plant and equipment		(6,103)	-
Provision for claims		3,300,000	-
Finance income		(113,333)	(84,895)
Working capital adjustments:			
Increase in trade and other receivables		(1,639,964)	(412,538)
Increase in trade and other payables		3,199,119	1,663,580
Net cash flows from operating activities		54,665,131	50,922,738
Investing activities			
Purchase of property, plant and equipment		(259,964)	(39,198)
Proceeds from disposal of property, plant and equipment		6,662	-
Interest received		103,071	84,895
Net cash flows (used in)/from investing activities		(150,231)	45,697
Financing activities			
Payments made to Government		(53,210,852)	(48,774,199)
Net cash flows used in financing activities		(53,210,852)	(48,774,199)
Net movement in cash and cash equivalents		1,304,048	2,194,236
Cash and cash equivalents at 1 January		7,870,534	5,676,298
Cash and cash equivalents at 31 December	15	9,174,582	7,870,534

The accounting policies and explanatory notes on pages 9 to 20 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Malta 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.

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Standards, interpretations and amendments to published standards as endorsed by the European Union effective in the current year

The accounting policies are consistent with those of the previous financial year, except for the following standards, interpretations and amendments effective as of 1 January 2014,

- IFRS 10 – Consolidated Financial Statements (effective for financial years beginning on or after 1 January 2014)
- IFRS 11 – Joint Arrangements (effective for financial years beginning on or after 1 January 2014)
- IFRS 12 – Disclosure of Interests in Other Entities (effective for financial years beginning on or after 1 January 2014)
- IAS 27 – Separate Financial Statements (effective for financial years beginning on or after 1 January 2014)
- IAS 28 – Investments in Associates and Joint Ventures (effective for financial years beginning on or after 1 January 2014)
- IAS 32 Amendments – *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective for financial years beginning on or after 1 January 2014)
- IFRS 10, IFRS 12 and IAS 27 Amendments – *Investment Entities* (effective for financial years beginning on or after 1 January 2014)
- IAS 36 Amendments – *Recoverable Amount Disclosures for Non-Financial Assets* (effective for financial years beginning on or after 1 January 2014)
- IAS 39 Amendments – *Novation of Derivatives and Continuation of Hedge Accounting* (effective for financial years beginning on or after 1 January 2014)
- IFRIC 21 – *Levies* (effective for financial years beginning on or after 1 January 2014)

The adoption of these standards, interpretations and amendments did not have a significant impact on the financial statements of the group and the company.

NOTES TO THE FINANCIAL STATEMENTS - continued

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES - continued

Standards, interpretations and amendments to published standards 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. None of these standards, interpretations and amendments is expected to have an impact on the financial position or performance of the company.

- IAS 19 Amendment – Employee Benefits (effective for financial years beginning on or after 1 July 2014)
- Improvements to IFRS (2010 – 2012 Cycle) (effective for financial years beginning on or after 1 July 2014)
- Improvements to IFRS (2011 – 2013 Cycle) (effective for financial years beginning on or after 1 July 2014)

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

- IFRS 9 - Financial Instruments (effective for financial years beginning on or after 1 January 2018)
- IFRS 14 – Regulatory Deferral Accounts (effective for financial years beginning on or after 1 January 2016)
- IAS 16 and IAS 38 Amendment – Clarification of Acceptable Methods of Depreciation and Amortisation (effective for financial years beginning on or after 1 January 2016)
- IFRS 11 Amendment – Accounting for Acquisitions of Interests in Joint Operations (effective for financial years beginning on or after 1 January 2016)
- IFRS 15 – Revenue from Contract with Customers (effective for financial years beginning on or after 1 January 2017)
- IAS 27 Amendments – Equity Method in Separate Financial Statements (effective for financial years beginning on or after 1 January 2016)
- IAS 16 and IAS 41 Amendment – Bearer Plants (effective for financial years beginning on or after 1 January 2016)
- Improvements to IFRS (2012 – 2014 Cycle) (effective for financial years beginning on or after 1 January 2016)
- IFRS 10 and IAS 28 Amendments - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures (effective for financial years beginning on or after 1 January 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception (effective for financial years beginning on or after 1 January 2016)
- Amendments to IAS 1 – Disclosure Initiative (effective for financial years beginning on or after 1 January 2016)

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

NOTES TO THE FINANCIAL STATEMENTS - continued

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES - continued

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 licences, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES - continued

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.

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).

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.

MALTA GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2014

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 comprises the following:

	2014	2013
	EUR	EUR
Licence fees	5,119,198	3,524,345
Application fees	294,183	277,614
Other	359,096	319,225
Total Authority fees	5,772,477	4,121,184
Duties	52,615,755	48,602,234
Total revenue	58,388,232	52,723,418

Number of licences in issue at end of year:

	2014	2013
	No.	No.
Commercial Bingo Houses	4	4
Casinos	3	3
Gaming Parlours	42	40
National Lotteries	1	1
Remote online gaming licences	469	388
Total number of licenses at end of year	519	436

MALTA GAMING AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS - continued

6. EXPENSES BY NATURE

	2014	2013
	EUR	EUR
Auditor's remuneration	29,638	21,830
Chairman's emoluments and Board honoraria	34,910	29,823
Staff costs (note 7)	2,670,568	1,921,797
General administrative expenses	1,058,595	695,735
Professional fees	994,131	187,698
Promotional expenses (note i)	518,311	194,839
Depreciation on property, plant and equipment (note 11)	116,644	71,161
Provision for doubtful debts (note 12)	225,208	(202,576)
	<hr/>	<hr/>
Total administrative and other expenses (Statement I)	5,648,005	2,920,307
	<hr/> <hr/>	<hr/> <hr/>

- i. Promotional expenses are stated net of amounts recovered of EUR30,550 (2013: EUR30,700) from third parties in respect of participation in promotional activities

7. EMPLOYEE INFORMATION

a. Staff costs

The total employment costs were as follows:

	2014	2013
	EUR	EUR
Salaries	2,397,408	1,777,684
Social Security costs	157,377	107,675
Fringe benefits	98,209	36,438
	<hr/>	<hr/>
Other related costs	2,652,994	1,921,797
	72,914	-
	<hr/>	<hr/>
Recharged salaries to Responsible Gaming Foundation	2,725,908	1,921,797
	(55,340)	-
	<hr/>	<hr/>
	2,670,568	1,921,797
	<hr/> <hr/>	<hr/> <hr/>

MALTA GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2014

NOTES TO THE FINANCIAL STATEMENTS - continued

7. EMPLOYEE INFORMATION

b. Staff numbers

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

	2014	2013
	Number	Number
Administrative, Finance & IT	17	13
Legal affairs	5	3
Inspectorate	25	22
Regulatory division	19	16
Strategy	3	3
Foundation	2	-
COO - HR and Marketing	5	-
Chairman's Office	2	-
Other	3	-
Students	5	-
Total	86	57

8. PROVISION FOR CLAIMS

During 2014, players of certain gaming operators have submitted claims that they are owed the amounts of EUR3,300,000 since they have not been paid these amounts by the gaming operators. They are also keeping the Authority responsible and liable for such amounts. The Authority is seeking the advice of its lawyers in respect of these claims. Provision by the Authority has been made for these claims.

9. FINANCE INCOME

	2014	2013
	EUR	EUR
Interest receivable on bank balances	113,333	84,895

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.

MALTA GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2014

NOTES TO THE FINANCIAL STATEMENTS - continued

11. 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 2013	232,299	142,311	18,119	111,503	372,694	876,926
Additions	3,031	3,438	-	12,016	20,713	39,198
At 31 December 2013	235,330	145,749	18,119	123,519	393,407	916,124
Additions	5,732	10,867	-	67,830	175,535	259,964
Disposals	-	-	-	(75,448)	(839)	(76,287)
At 31 December 2014	241,062	156,616	18,119	115,901	568,103	1,099,801
Depreciation						
At 1 January 2013	123,038	128,030	5,080	96,802	319,039	671,989
Depreciation charge for the year	23,040	10,290	3,020	7,303	27,508	71,161
At 31 December 2013	146,078	138,320	8,100	104,105	346,547	743,150
Depreciation charge for the year	21,890	5,800	2,505	20,869	65,580	116,644
Depreciation released on disposals	-	-	-	(75,448)	(280)	(75,728)
At 31 December 2014	167,968	144,120	10,605	49,526	411,847	784,066
Net book value						
At 31 December 2014	73,094	12,496	7,514	66,375	156,256	315,735
At 31 December 2013	89,252	7,429	10,019	19,414	46,860	172,974

12. TRADE AND OTHER RECEIVABLES

	2014 EUR	2013 EUR
Duties and licences receivable (note i)	6,682,507	5,591,521
Other receivables	97,440	33,605
Prepaid expenses	181,173	12,383
Deposits	61,145	-
Accrued interest	17,033	6,771
	7,039,298	5,644,280

- i. At 31 December 2014, duties and licenses receivable at nominal value of EUR651,326 (2013: EUR426,118) were impaired and fully provided for (Note 6).

MALTA GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2014

NOTES TO THE FINANCIAL STATEMENTS - continued

12. TRADE AND OTHER RECEIVABLES - continued

Provision for doubtful debts	2014	2013
	EUR	EUR
Opening balance	426,118	628,694
Increase/(decrease) in provision for doubtful debts	225,208	(202,576)
Closing balance	651,326	426,118

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	31-60 days EUR	61-90 days EUR	>90 days EUR
2014	6,682,507	4,693,683	991,746	369,841	135,123	492,114
2013	5,591,521	3,747,542	986,790	562,101	26,148	268,940

13. RESERVES

a. Equity reserve

Funds for the creation of the Reserve have been retained from the gaming taxes collected. 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. TRADE AND OTHER PAYABLES

	2014	2013
	EUR	EUR
Amounts due to government (note i)	4,537,758	7,486,026
Unclaimed deposits (note ii)	3,862,340	3,303,370
Other payables (note iii)	1,629,708	766,680
Accruals	566,217	54,812
Deferred income	2,383,592	1,826,900
	12,979,615	13,437,788

MALTA GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2014

NOTES TO THE FINANCIAL STATEMENTS - continued

14. TRADE AND OTHER PAYABLES - continued

- 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.
- 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.
- iii. Other payables includes the amount of EUR468,400 (2013: EUR468,400) being duty held by the Authority due to investigations going on in respect of an operator. Other payables also include the amount of EUR416,104 (2013: EUR100,000) transferred in respect of Responsible Gaming Fund.

15. CASH AND CASH EQUIVALENTS

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

	2014	2013
	EUR	EUR
Cash at bank and in hand	9,174,582	7,870,534

16. COMMITMENTS

The Authority operates from leased premises in Birkirkara. The Authority will be having its offices at Smart City in Ricasoli, Kalkara. The future minimum rentals payable including VAT, under these operating leases as at 31 December 2014 and 31 December 2013, are as follows:

	2014	2013
	EUR	EUR
Within one year	311,724	65,263
After one year but not more than five years	1,859,071	-
More than five years	5,895,979	-
	8,066,774	65,263

MALTA GAMING AUTHORITY
Annual Financial Statements for the year ended 31 December 2014

NOTES TO THE FINANCIAL STATEMENTS - continued

17. 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	2014	49,553,560	4,537,758	Surplus for the year
Government of Malta - The Treasury	2013	49,888,006	7,486,026	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 EUR34,910 (2013: EUR29,823).

18. 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 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 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Fair values

The carrying amounts of cash at bank and in hand, trade receivables, trade payables and accrued expenses 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. CONTINGENT LIABILITIES

As at 31 December 2014, gaming operators have submitted claims with respect to overpayment of gaming taxes paid to the Authority amounting to EUR1,694,532 due to wrongful classification of the games provided by the operator.

Other requests for damages amounting to EUR972,148, have been made by gaming operators against the Authority in respect of loss of profits and for the payments made on the importation of devices which originally the Authority, on the information provided by the gaming operator, categorised as other amusement machines and informed the operator accordingly. However, following further investigations, it resulted that the devices were gaming devices as defined within the Lotteries and Other Games Act (Cap. 438). Subsequently the Authority did not approve the devices that were imported by the operator and withdrew the original approval. The operator is claiming damages for initially being granted approval of importing the devices as these would be licensed however following the investment the operator was informed of the rectification of classification of the devices which resulted in the devices not being used.

The Authority is contesting the amount of these claims for taxes and damages. Up to the date of the authorisation of these financial statements, these were only claims made against the Authority and no legal action has been initiated. However, the Authority has been advised by its legal counsel that it is probable that it will not be found liable for any of these damages. Accordingly, no provision for any liability has been made in these financial statements.

MALTA GAMING AUTHORITY
Supplementary Statement for the year ended 31 December 2014

SUPPLEMENTARY STATEMENT

	Statement
Administrative and other expenses	I

ADMINISTRATIVE AND OTHER EXPENSES

	31 December 2014		31 December 2013	
	EUR	EUR	EUR	EUR
Salaries and national insurance	2,670,568		1,921,797	
Training	75,714		40,105	
Recruitment expenses	19,063		1,250	
Staff costs		2,765,345		1,963,152
Depreciation		116,644		71,161
Chairman's emoluments and Board honoraria	34,910		29,823	
Subcontracted services	84,945		46,217	
Telecommunications	60,827		37,981	
Water and electricity	36,557		31,990	
Rent	156,141		158,054	
Insurance and licences	19,169		12,629	
Postage, stationery and printing	45,893		39,497	
Office expenses	13,559		7,885	
Motor vehicle running expenses	47,892		26,317	
Bank charges	2,762		2,225	
Cleaning expenses	666		457	
Subscriptions	50,582		39,417	
Repairs and maintenance	60,280		50,303	
Business Development expenses	19,783		3,075	
Overseas travelling	181,807		69,965	
Seminars and conferences	40,308		38,888	
Regulatory development expenses	148,750		89,480	
General administrative expenses		1,004,831		684,203
Accountancy fees	20,532		1,451	
Professional fees	918,076		148,322	
Internal audit fees	55,523		37,925	
Auditors' remuneration	29,638		21,830	
Professional fees		1,023,769		209,528
Promotional expenses (note i)		518,311		194,839
Profit on disposal of property, plant and equipment		(6,103)		-
Provision for doubtful debts		225,208		(202,576)
		5,648,005		2,920,307

- i. Promotional expenses are stated net of amounts recovered of EUR30,550 (2013: EUR30,700) from third parties in respect of participation in promotional activities.