Supreme Ventures Limited

# Annual Report 2008

Supreme Ventures Limited

# Mission Statement

**Our Mission is "to be the best provider of online lotteries and other electronically distributed products and services."**

# Core Values

a) Ethical business practices at all times
b) Fairness in all efforts
c) Excellence in our performance
d) Keep all promises
e) Respect and consideration for all

SUPREME VENTURES Limited

# Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of Supreme Ventures Limited will be held at The Hilton Kingston Hotel, 77 Knutsford Boulevard, Kingston 5 on Wednesday, March 25, 2009 at 10:00 a.m. to consider and if thought fit to pass the following resolutions:

## ORDINARY BUSINESS

### Ordinary Resolutions

**1. Audited Accounts**

"THAT the Audited Accounts for the year ended October 31, 2008 and the Reports of the Directors and Auditors, circulated with the Notice convening the Meeting, be and are hereby adopted."

**2. Interim Dividends**

To approve and ratify interim dividends:-

To consider and (if thought fit) pass the following resolution:

"That the interim dividends paid of 6 cents on June 20, 2008 and 9 cents on October 30, 2008 be and are hereby ratified."

**3. Election of Directors**

(a) In accordance with Articles 105 and 106 of the Company's Articles of Incorporation, the following Directors retire by rotation and, being eligible, offer themselves for re-election:

Paul Hoo

Brian George

Curtis Martin

(i) "That Director, Paul Hoo, retiring pursuant to Articles 105 and 106 of the Articles of Incorporation, be and is hereby re-elected."

(ii) "That Director, Brian George, retiring pursuant to Articles 105 and 106 of the Articles of Incorporation, be and is hereby re-elected."

(iii) "That Director, Curtis Martin, retiring pursuant to Articles 105 and 106 of the Articles of Incorporation, be and is hereby re-elected."

SUPREME VENTURES Limited

# Notice of Annual General Meeting

(b) In accordance with Article 103 of the Company's Articles of Incorporation Barrington Chisholm having been appointed during the year shall cease to hold office and being eligible, offer himself for election to the Board.

"That Director Barrington Chisholm be and is hereby elected a Director of the company."

**4. Directors' Remuneration**

(a) "THAT the Directors be and are hereby empowered to fix the remuneration of the Executive Directors."

(b) "THAT the amount shown in the Accounts of the Company for the year ended 31 October 2008, as remuneration of the Directors for their services be and is hereby approved."

**5. Appointment of Auditors and their Remuneration**

"THAT Messrs. Deloitte & Touche having signified their willingness to serve, continue in office as Auditors of the Company until the conclusion of the next Annual General Meeting, at a remuneration to be agreed with the Directors."

A member of the company, entitled to attend and vote, is entitled to appoint a Proxy to attend and vote in his stead, and a Proxy need not be a member.

If you are unable to attend the Meeting, a Form of Proxy is enclosed for your convenience. When completed, this Form should be deposited with the Secretary, at 19 Ripon Road, Kingston 5, not less than 48 hours before the time appointed for the meeting. The Proxy Form should bear stamp duty of $100.00, before being signed. The stamp may be paid by adhesive stamps, which are to be cancelled by the person signing the Proxy.

DATED this **28th** day of **February 2009**

**BY ORDER OF THE BOARD**

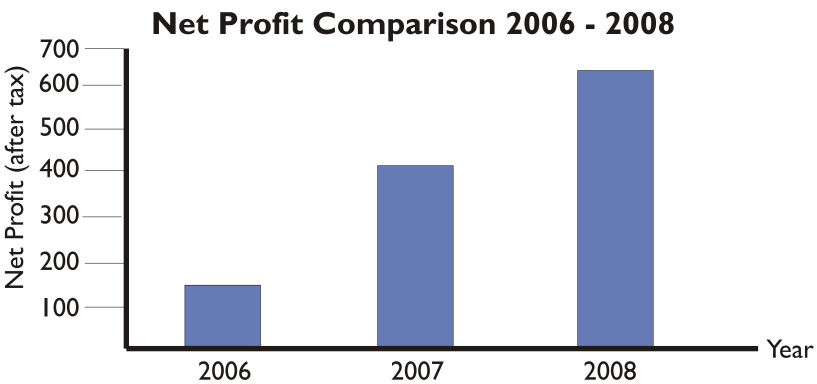
Winsome Minott
**COMPANY SECRETARY**

# Chairman's Statement

Paul Hoo - Chairman

As Chairman of the Board of Directors I am once again pleased to report to our valued shareholders on the very positive performance of Supreme Ventures Limited (SVL) for the financial year ending October 31st 2008.

The company reported a net profit after tax of $646M, which represents a 59.4% increase over 2007. The company's assets increased by 10.6% over 2007 to $4.3B. Retained earnings were $833.1M, which represents a 92.2% increase over 2007.




This significant growth in profits was due mainly to an increase in revenues of 11.9%, up from $18.95B in 2007 to $21.2B in 2008. Operating expenses grew by 45.85%, up from $1.33B in 2007 to $1.94B in 2008. The increase in operating expenditure was mostly attributable to increases in lottery prize payouts, lottery taxes and direct expenses related to the gaming lounge and hospitality business, specifically the opening of the Acropolis Lounge in May Pen.

Director Janette Stewart (centre) cuts the ribbon to officially open Acropolis May Pen with Member of Parliament Michael Henry

In April 2008, we reorganized the Group's structure to position SVL for improved profitability by:

1. Amalgamating and transferring the assets, liabilities and businesses of Coral Cliff Entertainment Limited and Village Square Entertainment Limited to Prime Sports Jamaica Limited

2. Amalgamating and transferring the assets, liabilities and businesses of Jamaica Lottery Company Limited to Supreme Ventures Limited

# Chairman's Statement

The business entities Village Square Entertainment Limited, Coral Cliff Entertainment Limited and Jamaica Lottery Company Limited were consequently wound up. However, the gaming lounge in Montego Bay continues to be marketed as Coral Cliff.


Coral Cliff property in Montego Bay, St. James

We were extremely pleased to pay capital distributions twice in the financial year to our shareholders. A total of $420.8M was paid in dividends. We also note that the lottery business is cash driven and does not depend on imports from abroad for successful execution of its operations. As such, SVL expects to continue paying increased dividends to its shareholders in the future from cash reserves.



We completed the cross listing of SVL's shares on the Trinidad and Tobago Stock Exchange on October 16, 2008. The shares were listed at TT$0.28. We were pleased with the total volume traded on the day i.e. 552,000 shares at a value or TT$154,560. Notwithstanding the very difficult equity markets that currently exist in the Caribbean, we believe that this cross listing has positioned SVL to take advantage of the market when it inevitably rebounds.


Brian George (left) President & CEO of SVL, Wayne Iton (centre) General Manager/CEO of the T&T Stock Exchange and Robert Mayers - Managing Director of CCMB Limited at the cross listing ceremony in Trinidad

# Chairman's Statement

These achievements must be viewed against the very challenging economic environment in Jamaica that saw annualized inflation at 16% at the end of our financial year. This was mainly driven by a volatile international commodity market. The Jamaican dollar depreciated steeply against all international currencies, thereby putting additional pressure on the economy and in particular the available disposable income of our players. The remittance market also experienced shortfalls in the expected inflows of foreign currency.

We also saw the fallout effects of the Alternate Investment Schemes, in which several local investors lost billions of dollars. This fallout may have contributed to the overall negative performance of the local equity market.

We fully expect the global economic crisis to continue into 2009 and possibly beyond, with negative effects on the Tourism, Remittance and Bauxite markets. The Jamaican dollar will also continue to experience pressure against its foreign counterparts, thus triggering another round of price increases and a further reduction in the availability of discretionary income.

We continue to be proud of our role as a good corporate citizen. This is highlighted by our on-going contributions to sports, in particular the Jamaica Amateur Athletics Association (JAAA), which saw the incredible performance of our Jamaican Athletes at the 2008 Summer Olympics. SVL also supported the national recovery efforts after Hurricane Gustav and a substantial number of community activities islandwide.


Deputy Chairman - Ian Levy (left) presents SVL's cheque to Prime Minister, The Rt. Hon. Bruce Golding for Hurricane Gustav's recovery efforts.
Sharing in the presentation are the Hon. Daryl Vaz (2nd left) and Ronald Jackson - Director General of the ODPEM

**EXPANSION PLANS**

Our plans for expansion in 2009 include participation in a multi-jurisdictional Lotto Game and Sports Betting.

SVL has intentions to participate in a multi-jurisdictional Lotto game in the region. The other participating lotteries initially will be: Dominican Republic, the Leeward Islands and Barbados. Our Lottery technology provider GTECH has been addressing the logistical challenges associated with this type of operation. It is expected that the starting Jackpot for this game will be US$2M. The launch is subject to the approval of the Betting Gaming and Lotteries Commission and we hope to start operations by the end of the second quarter of 2009.

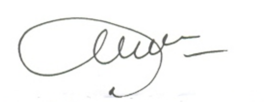
# Chairman's Statement

In preparation for entry to the Sports Betting arena, SVL acquired local bookmaking company Big A Track 2003 Limited, which had signed an agreement with INTRALOT S.A. of Greece, the leading provider of Sports Betting technology globally. The contract is for 10 years initially, with an option for extension. Application has been made to the Betting, Gaming & Lotteries Commission for formalization of the operating licence and plans are being made for start-up operations in the second quarter of the 2009 financial year.

As a demonstration of its confidence in the future of Supreme Ventures, INTRALOT S.A. has announced its intention to purchase at least 10% of SVL's shares, as they become available in the market.

I wish to take this opportunity to thank my fellow Directors for their contribution and support towards our success. Our Independent Directors: Curtis Martin, David McBean, Stephen Castagne and Barrington Chisholm have played their part in making sure that SVL upholds the tenets of Good Corporate Governance.

Our gratitude is also extended to the management, staff, agents and other stakeholders who, through their commitment and continued exceptional contributions allowed the company to experience continued growth in 2008 and create a 'Supreme' organization.



Paul Hoo
Chairman

# Five Year Financial Highlights

**SUPREME VENTURES LIMITED AND ITS SUBSIDIARIES**

**YEAR ENDED 31st OCTOBER**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

| | Audited 2008 $'000 | Audited 2007 $'000 | Audited 2006 $'000 | Audited 2005 $'000 | Audited 2004 $'000 |
|---|---|---|---|---|---|
| Revenue | 21,204,444 | 18,946,913 | 15,947,789 | 14,350,135 | 12,027,511 |
| Direct expenses | 18,207,114 | 16,986,308 | 14,460,453 | 13,237,061 | 11,173,929 |
| Gross profit | 2,997,330 | 1,960,605 | 1,487,336 | 1,113,074 | 853,582 |
| Operating expenses | 1,766,208 | 1,209,610 | 1,130,368 | 784,704 | 931,446 |
| EBITDA | 1,231,122 | 750,995 | 356,968 | 328,370 | (77,864) |
| Interest -net | 52,132 | 26,478 | (6,179) | (62,967) | (74,815) |
| Depreciation and amortisation | (175,421) | (121,627) | (94,022) | (45,548) | (47,147) |
| Operating profit | 1,107,833 | 655,846 | 256,767 | 219,855 | (199,826) |
| Other gains and losses | | (24,615) | | | (122,935) |
| Amortization of goodwill | | | | $ (194) | (18,328) |
| Negative Goodwill | - | - | - | 66,023 | - |
| PROFIT BEFORE TAXATION | 1,107,833 | 631,231 | 256,767 | 285,684 | (341,089) |
| Taxation | (461,844) | (225,831) | (91,419) | (95,493) | 88,862 |
| NET PROFIT | 645,989 | 405,400 | 165,348 | 190,191 | (252,227) |
| EARNINGS PER STOCK | $ 0.24 | $ 0.15 | $ 0.06 | $ 0.18 | $ (11.52) |

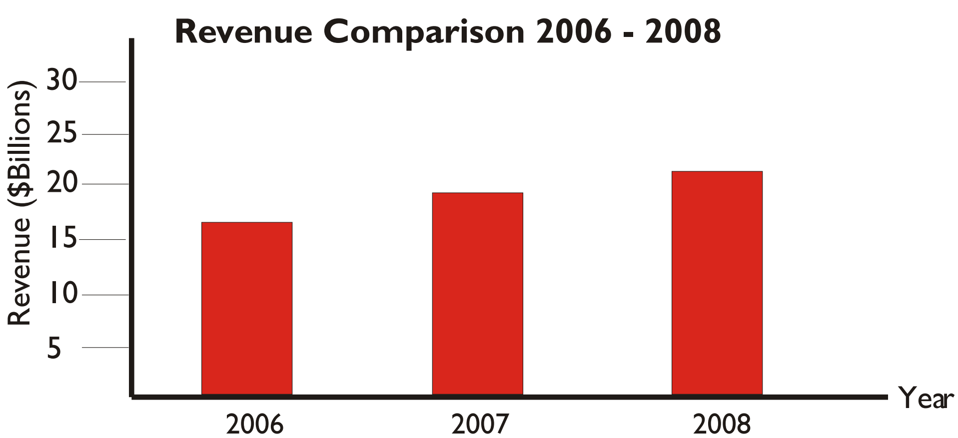
# President's Report

Brian George - President & CEO

I am pleased to submit this report on yet another successful year of operations for the financial period ended 31st October 2008.

**PERFORMANCE REVIEW**

Supreme Ventures' (SVL) net profit after tax of $646M underscored the company's success, that is, a 59.4% increase in profit over the previous year. This could not have been possible without the concerted efforts of our management team, dedicated staff and Agents, our technology provider GTECH and the many customers who play our games and utilized our facilities throughout the financial year. It is heartening to know that despite the macro-economic challenges faced during the year and effects of Hurricane Gustav which saw 3 days of closure to our operations, our revenues grew for the financial period under review.
Our total revenue increased by 11.9% to $21.2B in 2008, when compared to $17.02B in 2007. The highest revenue earner Cash Pot, performed to game design and at the end of the financial year, prize liabilities averaged 70.83%.



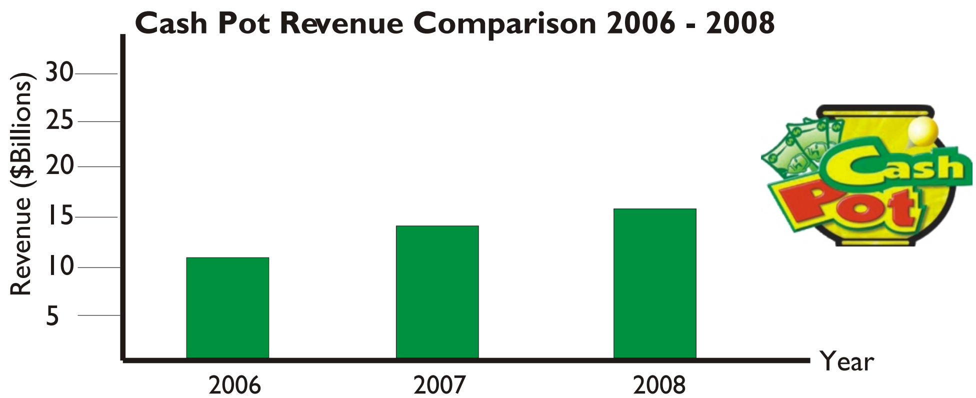

The growth in overall lottery game revenue was also accompanied concurrently by an increase in prize payouts for the lottery games and slots gaming wins, increased earning in commissions by our lottery Agents and an increase in statutory contributions including lottery taxes and the CHASE Fund of 25.7% in 2008. The CHASE Fund contribution has now exceeded $4.7 Billion since inception.

The total taxes payable in 2008 inclusive of game taxes, unrecoverable GCT, Win Tax on Lottery prizes, Gross Profit Tax (GPT) on Gaming Lounge revenues, CHASE and Corporation Tax was $2.6B. This highlights the significant contribution that SVL makes to the national economy, of which we are justifiably proud.

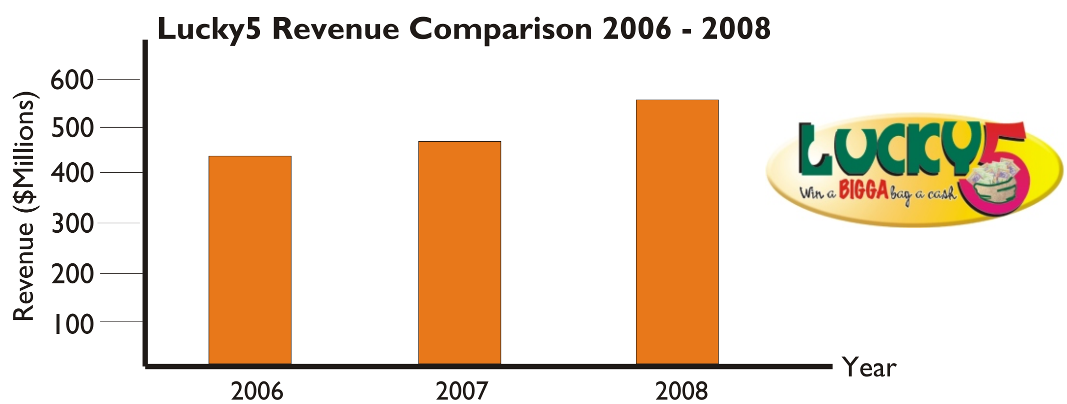
A number of marketing initiatives were undertaken during the year, which ultimately led to growth in our revenue stream from the lottery games. These initiatives included:

1. A 'coloured ball' promotion for the Cash Pot game, which offered a higher payout if a red ball was drawn. Cash Pot sales improved by 11.36% in 2008 ($15.2B), when compared to $13.6B in 2007.

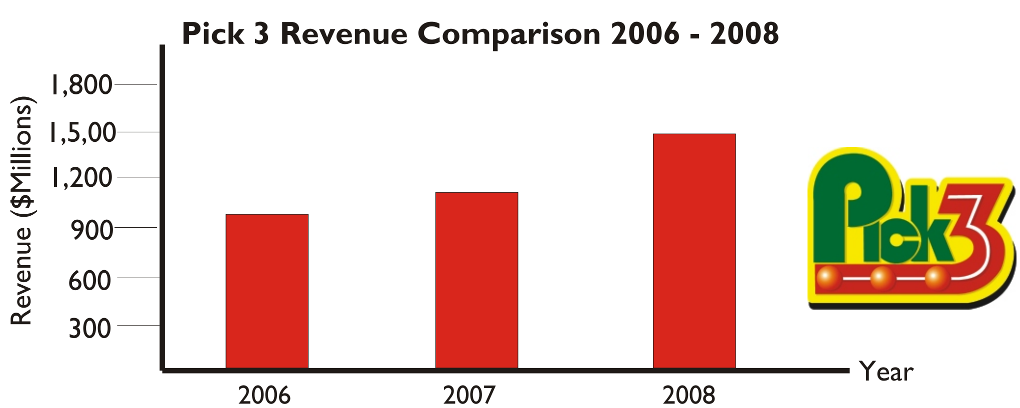
# President's Report




2. Enhancement of the Lucky 5 game on February 18, 2008 with an increase in the daily top prize to $800,000, up from $600,000. This resulted in an 18% increase in revenue over the previous year, that is, $553.1M in 2008 compared to $468.5M in 2007.




3. The introduction of a third draw for PICK 3 in September 2008. This resulted in a 27% increase, that is, $1.38B in 2008 compared to $1.08M in 2007.




4. An in depth analysis of the Winquick Instant Games prize structures and higher commission of 8% offered to agents for sale of these impulse buy games. Two new 'scratch' games were introduced during the year: Instant Millionaire and Gold Digga. Our promotion team also utilized the 'pull' strategy, through participation in and making the games available to the general public at many community festivals across the island. This created the demand at our agent locations.

# President's Report

5. Our lottery terminal distribution strategy was reviewed and a working team including representatives from GTECH planned and executed the installation of 141 additional terminals in the market, up from 61 installations the previous year. The increase in the agent locations was made possible by the upgrading of the GTECH network to GPRS, which allowed us access to previously inaccessible areas of the country. We must also be mindful that these increases provided more job opportunities, as each agent hires an average of two persons to run their terminal.

The Lotto game experienced a marginal decrease of 16.7% when compared to 2007 and plans were put in place to introduce new initiatives to revitalize the game. The Lotto game changes were introduced in November 2008 and initial response from the public is positive.

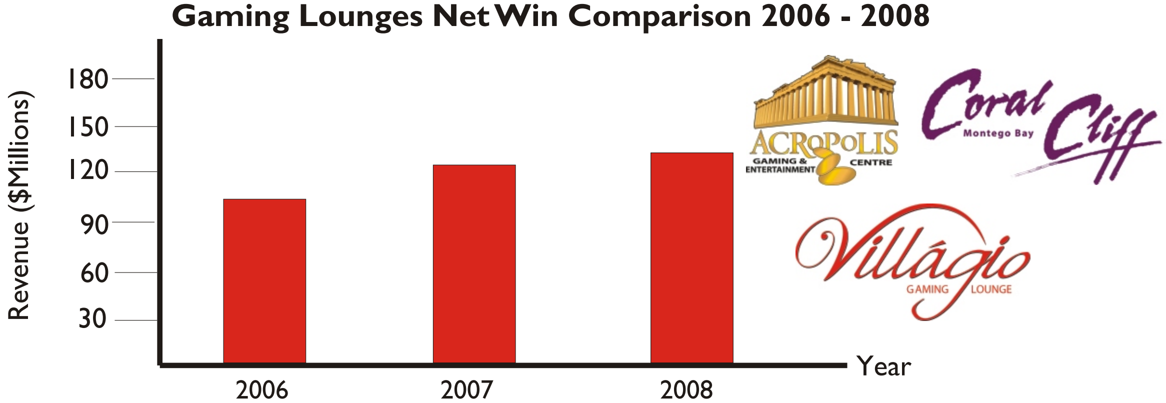
**Lotto Revenue Comparison 2006 - 2008**




Although early indications were positive for the Daily Bingo and Prime Time Bingo games, the profitability of the games declined by the end of the financial year.

Revenues from the gaming lounges: Acropolis Barbican, Acropolis May Pen, Villagio and Coral Cliff improved by 21.9% over the previous financial year despite extremely high payouts on the progressive games at Acropolis Barbican in the 2nd quarter. This resulted in a loss of approximately $50M in that financial quarter. There were also operational challenges associated with the 'start-up' of Acropolis May Pen. Despite the revenue gains, the slots gaming & hospitality segment reported an overall loss in operations of $181.6M. The Board and management team are fully aware that these losses must be eliminated and have implemented the necessary steps to achieve profitability in 2009.

**Gaming Lounges Net Win Comparison 2006 - 2008**



# President's Report

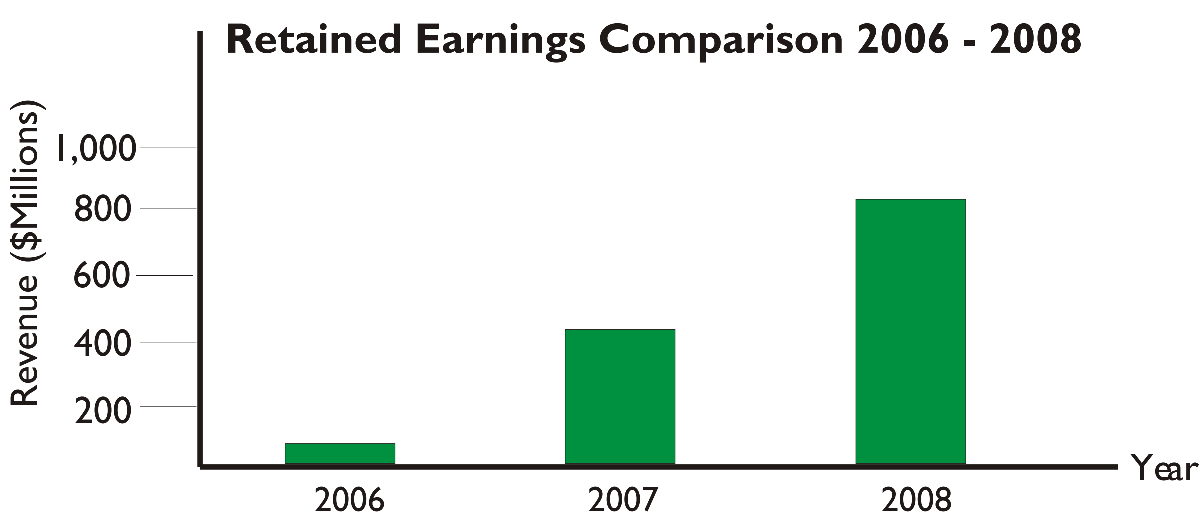
These steps will include the consolidation of Coral Cliff operations under Prime Sports as outlined in the Chairman's report, the upgrading of obsolete slot games particularly at the Coral Cliff lounge, the consolidation of Ma Lou's Restaurant with the Rum Jungle Restaurant at Coral Cliff, elimination of the unprofitable 2am to 10am shift and the closure of the unprofitable hotel operations at Coral Cliff. Unfortunately, this will result in 43 positions being made redundant at Coral Cliff. Mindful of the current economic environment, SVL plans to pay a significantly enhanced redundancy package that includes the retention of health benefits up to October 2009 for these said employees.

Our MoneyGram remittance and foreign exchange trading services combined, produced a modest increase of 4.9% in revenue ($130.7M in 2008) compared to $124.7M in 2007, despite the challenges of a shortfall in remittances globally and the fluctuations in major currency rates throughout the year. The ability to continue to grow this business will be impacted by the expected decline in overall remittances in 2009, due to the worldwide economic crisis and the potential effects on the Jamaican diaspora as a result of the rising unemployment rate internationally. This is in addition to the increasing difficulty we continually face in meeting our compliance obligations through our sub-agent network, as outlined by the Bank of Jamaica's policy guidelines. As a result, we are reviewing the operations of all of our MoneyGram sub-agents to ensure compliance with the reporting standards and the 'know your customer' requirements.

The sale of cellular phone electronic PIN codes also increased significantly by 21.93% ($956M) in 2008, compared to $784M in 2007. All of the cellular providers have sought to reduce the commissions paid to distributors such as ourselves, which may potentially make this only very marginally profitable area, given the fact that commission income is shared between the agents, GTECH and SVL. We have previously absorbed the reductions however we are now reaching the point of diminishing returns.

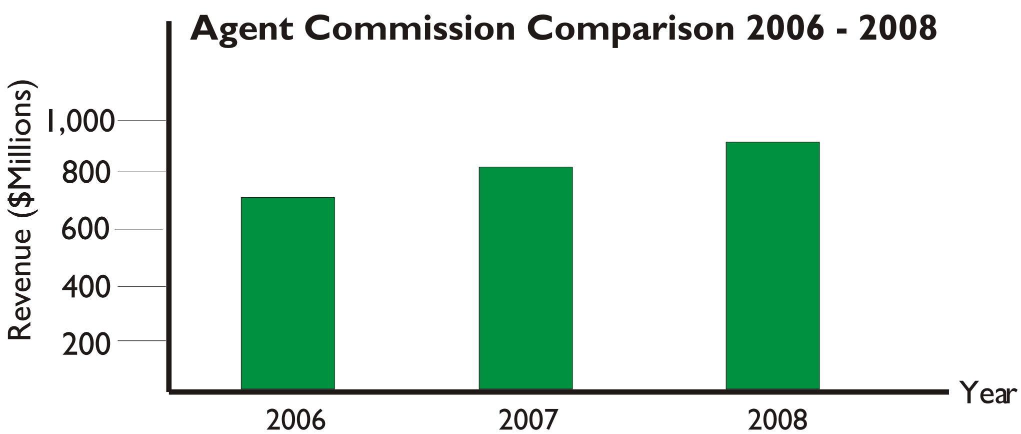
The company had retained earnings of $833.1M at the end of 2008, a 92.2% increase over the $433.4M retained in 2007. The basic earnings per stock unit improved by 60% i.e. up from 15 cents in 2007 to 24 cents in 2008.





# President's Report

Notwithstanding the busy and challenging year of operations, we recognize the importance of maintaining the very important relationship with the lottery agents who are the lifeblood of our business. The average commission income per agent grew by 8-10% in 2008 over 2007. This is a reflection of our on-going commitment to continued growth of their income, to offset the inflationary impact that we all face. We also feted our lottery agents with an event dubbed 'Agent Picnic' held on the in-field of Caymanas Park in St. Catherine. The day was fun-filled, with live horseracing, interactive activities, entertainment and the opportunity for our agents to meet with the Board, management team, Field & Customer Support Representatives, GTECH Representatives and other support staff of SVL.




**CORPORATE SPONSORSHIPS AND DONATIONS**

The company's marketing spend was executed judiciously on sponsorships linked to our business focus, notwithstanding the significant contributions to CHASE. We closely aligned ourselves to activities geared to sports development, fun and entertainment.

We renewed our commitments to:

- The Supreme Ventures/JAAA National Athletic Championships and the preparation of the nation's athletes for their exhilarating performance at the Olympic Games held in Beijing, China
- The Supreme Ventures/JNA Division A and C Netball Competitions. Several club members who participated in these competitions were able to earn their space on the national 'Sunshine Girls' Netball teams.
- Community festivals such as Portland Jerk Festival, Little Ochi Seafood Festival and Denbigh

We were also sponsors of the Air Jamaica Jazz & Blues Festival, Supreme Ventures Jamaica Carnival, Bacchanal Jamaica Carnival, Reggae Sumfest, Michael Bolton Concert and Richie Stephens fundraising concert for the Savanna-la-Mar Infirmary in Westmoreland.

We will be reviewing and rationalizing our Corporate Good Cause activities, which should see the establishment of the Supreme Ventures Foundation in 2009.

# President's Report


Sonia Davidson - VP Group Corporate Communications of SVL hands over a sponsorship cheque to JAAA officials


Carlene Edwards - Corporate Communications Coordinator of SVL hands over scholarship cheque to netballer Shanique Roberts


Lucky Winner of bucket full of tokens in our hospitality booth at Air Jamaica Jazz & Blues Festival in January 2008

Excited patrons of Portland Jerk Festival play the WinQuick scratch & win games at the SVL promotion booth



**2009 OUTLOOK**

The 2009 financial year is expected to be very challenging, especially in light of the global economic crisis and several countries going into recession. The impact must be felt in Jamaica and no doubt, the pitch for our share of the public's disposable income will need to be 'on target' for success.

SVL is in a very fortunate position whereby there is no need to rely on imported 'raw material' for successful growth of its lottery revenues. We however recognize the need to upgrade the slot games at our gaming lounges, to keep pace with our competitors and continue to provide our customers with new and exciting options. Given the positive cash position of the company, the requirements for borrowing to finance our operations is at a minimum and as such, the liquidity crisis and the growth in interest rates are not expected to have an adverse effect on our growth and expansion plans.

# President's Report

The management team will continue to identify ways to improve our lottery game offerings, as we have done in the past years, to continue our growth trend in lottery games whilst rationalizing all areas of expenses.

Plans are well advanced and project teams are already actively working on start-up logistics for Sports Betting with INTRALOT, S.A. and the multi-jurisdictional Lotto game with GTECH. We hope to commence operations in both areas in the 2nd quarter of the financial year.

I join our Chairman in commending our management and staff, lottery agents and core players for their loyalty and support. We look forward to a successful 2009.

Brian George
President & CEO

# Board of Directors

(l-r standing) Barrington Chisholm, Janette Stewart, Paul Hoo, Brian George and Ian Levy (seated)



(l-r) Stephen Castagne and Dr. David McBean

Curtis Martin and Winsome Minott (Company Secretary)

John Graham

# Corporate Governance

## Board Composition

There should be a balance of independence, skills, knowledge, experience, and perspectives among Directors to allow the Board to work effectively.

The appointment and retirement of Directors shall be governed first by the Articles of Incorporation of the company and thereafter by standards/criteria imposed by the Board or the company`s regulators.

## Independence

A Director is considered to be independent if:

(a) he or she is not a significant shareholder (i.e. does not own 5% or more of the company's shares);
(b) he or she does not represent a significant shareholder and
(c) he or she is not an employee of the company.

All Directors of the company shall act independently and bring an independent mind to bear on matters coming before the Board.

Directors shall notify the Board of any change in status that may affect their Independence. When notified, the Board shall evaluate the Directors' independence.

The Board will ensure that it has access to professional advice, both inside and outside of the company in order for it to perform its duties. Of the nine Directors, four are independent.



## Audit Committee

The Audit Committee was established by the Board on 10th April, 2006. The following Directors were elected to serve and remained members as at the 31st October, 2008:

- Mr. Curtis Martin (Chairman)
- Mr. David Mc Bean
- Mr. Ian Levy
- Mr. John Graham

# Corporate Governance

The functions of the Audit Committee are as follows:

To monitor the integrity of the financial statements of the group, including annual and interim reports, preliminary results, announcements and any other formal announcement relating to financial performance;

To review significant financial reporting issues and judgments, summary financial statements, financial returns to regulators, and any financial information to be reported in other documents which may impact share price;

To keep under review the effectiveness of internal controls and risk management systems by examining steps taken by the Board and Management of SVL to control exposure to significant risks;

To review the arrangements for employees;

To monitor and review the effectiveness of the internal audit function in the context of the overall risk management system;

To consider and make recommendations to the Board with respect to matters for approval at general meetings, including the appointment, re-appointment and removal of the external auditors. In addition, the Audit Committee shall oversee the selection process for new auditors, and shall investigate issues leading to the resignation of auditors were applicable;

To oversee the relationship with external auditors;



To review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;

To review the findings of the audit with the external auditors and in particular initiate discussions on issues which may have arisen during the audit, including accounting and auditing judgments and levels of errors identified;

To review the effectiveness of the services provided by the external auditors.

The quorum for the Audit Committee is four and this must include two independent members.

SUPREME VENTURES
Limited

# 2008
# FINANCIAL STATEMENTS

# Directors' Report

The Directors submit herewith the Consolidated Profit and Loss Account of Supreme Ventures Limited and its subsidiaries for the year ended October 31, 2008, together with the Consolidated Balance Sheet as at that date:

**Operating Results**

| | $'000 |
|---|---|
| Gross operating revenue | 2,997,330 |
| | |
| Profit before taxation | 1,107,833 |
| Taxation | (461,844) |
| Net Profit | 645,989 |
| | |
| Earnings per stock | |
| Basic | 0.24 cents |

**Dividend**

Dividend payments totaling $0.15 per ordinary stock unit were paid by way of capital distributions in July and October 2008 at 6 cents and 9 cents respectively, to all shareholders on record at June 30, 2008.

**Directors**

The Board of Directors comprises:



| | |
|---|---|
| Mr. Paul Hoo | - Chairman |
| Mr. Ian Levy | - Deputy Chairman |
| Mr. Brian George | - President/CEO |
| Mr. John Graham | |
| Mr. Stephen Castagne | |
| Mr. Curtis Martin | |
| Mr. David McBean | |
| Mrs. Janette Stewart | |
| Mr. Barrington Chisholm* | |
| | |
| Miss Winsome Minott | - Company Secretary |

Pursuant to Articles 105 and 106 of the Articles of Incorporation, one-third of the Directors (or the number nearest to one-third) will retire at the Annual General Meeting.

The Auditors, Deloitte & Touche have indicated their willingness to continue in office and offer themselves for re-appointment.

*Mr. Barrington Chisholm was appointed as a Director during the year.

On behalf of the Board

Winsome Minott
Secretary

# Auditors' Report

Deloitte.

**Deloitte & Touche**
**Chartered Accountants**
7 West Avenue
Kingston Gardens
P.O. Box 13 Kingston 4
Jamaica, W.I.

Tel: (876) 922 6825-7
Fax: (876) 922 7673
http://www.deloitte.com.jm

42B & 42C Union Street
Montego Bay
Jamaica, W.I.

Tel: (876) 952 4713-4
Fax: (876) 979 0246

**INDEPENDENT AUDITORS' REPORT**

**To the Members of**

**SUPREME VENTURES LIMITED**

**Report on the financial statements**

We have audited the financial statements of Supreme Ventures Limited (the Company), and its subsidiaries (the Group), set out on pages 23 to 82, which comprise the consolidated and the company balance sheets as at October 31, 2008, the consolidated and the company profit and loss accounts, statements of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards. 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 consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditors' Responsibility*

Our responsibility is to express an opinion on the 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 about 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' judgment, 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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.



Member firm
**Deloitte Touche Tohmatsu**

Carey O. Metz, Audley L. Gordon, Winston G. Robinson, Fagan E. Calvert, Gihan C. deMel.

**Consultants:** T. Sydney Fernando, Donald S. Reynolds.

# Auditors' Report

Deloitte.

**Report on the financial statements (Cont'd)**

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at October 31, 2008, the financial performance, and cash flows of the Group and the Company for the year then ended in accordance with International Financial Reporting Standards.

*Report on additional requirements of the Companies Act of Jamaica*

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained and the financial statements are in agreement therewith and give the information required in the manner so required.

Deloitte & Touche

Chartered Accountants



Kingston, Jamaica,
December 19, 2008

# Consolidated Balance Sheet

## As at October 31, 2008

| | Notes | 2008 $'000 | 2007 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | 5 | 2,061,071 | 1,770,584 |
| Goodwill | 6 | 586,644 | 586,644 |
| Other intangible assets | 7 | 55,085 | 28,094 |
| Long-term receivable | 9 | 320,005 | 284,035 |
| Available-for-sale investments | 10 | 16,939 | 16,939 |
| Investment in joint venture | 11 | 34,221 | 34,221 |
| Deferred tax assets | 12 | 2,619 | 31,130 |
| | | 3,076,584 | 2,751,647 |
| **Current assets** | | | |
| Other assets | 13 | 18,069 | 18,069 |
| Inventories | 14 | 48,886 | 97,100 |
| Trade and other receivables | 15 | 246,753 | 178,879 |
| Cash and bank balances | 17 | 905,295 | 839,509 |
| | | 1,219,003 | 1,133,557 |
| **Total assets** | | 4,295,587 | 3,885,204 |
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders equity** | | | |
| Share capital | 18 | 1,967,183 | 1,967,183 |
| Revaluation reserve | 19 | - | 23,500 |
| Capital reserve | 20 | 145,767 | - |
| Retained earnings | 34 | 833,123 | 433,422 |
| | | 2,946,073 | 2,424,105 |
| **Non-current liabilities** | | | |
| Long-term liabilities | 21 | 267,803 | 375,777 |
| **Current liabilities** | | | |
| Trade and other payables | 22 | 596,171 | 598,294 |
| Current portion of long-term liabilities | 21 | 133,066 | 169,193 |
| Prizes payable | | 108,244 | 145,505 |
| Income tax payable | | 244,230 | 172,330 |
| | | 1,081,711 | 1,085,322 |
| **Total equity and liabilities** | | 4,295,587 | 3,885,204 |

The Notes on Pages 31 to 82 form an integral part of the financial statements.

The financial statements on Pages 23 to 82 were approved and authorized for issue by the Board of Directors on December 19, 2008 and are signed on its behalf by:

Paul Hoo - Chairman

Brian George- President and CEO

# Consolidated Profit & Loss Account

## Year ended October 31, 2008

| | Notes | 2008 $'000 | 2007 $'000 |
|---|---|---|---|
| Revenue | 23 | 21,204,444 | 18,946,913 |
| Direct expenses | 25 | (18,207,114) | (16,986,308) |
| Gross profit | | 2,997,330 | 1,960,605 |
| Interest income | | 84,554 | 46,956 |
| Operating expenses | 26 | ( 1,941,629) | ( 1,331,237) |
| Other gains and losses | 28 | - | ( 24,615) |
| Finance costs | 29 | ( 32,422) | ( 20,478) |
| **PROFIT BEFORE TAXATION** | 30 | 1,107,833 | 631,231 |
| Taxation | 32 | ( 461,844) | ( 225,831) |
| **NET PROFIT** | 33 | 645,989 | 405,400 |
| **EARNINGS PER STOCK** | 35 | | |
| Basic | | 0.24 Cents | 0.15 Cents |
| Diluted | | 0.24 Cents | 0.15 Cents |



The Notes on Pages 31 to 82 form an integral part of the financial statements

# Consolidated Statement of Changes in Equity

## Year ended October 31, 2008

| | Notes | Share Capital $'000 | Capital Reserves $'000 | Revaluation Reserve $'000 | Retained Earnings $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Balance at November 1, 2006 | | 1,967,183 | - | 11,572 | 28,022 | 2,006,777 |
| Gain on revaluation of land and buildings | 19 | - | - | 16,195 | - | 16,195 |
| Deferred tax adjustment on revaluation reserve | 12 | - | - | (4,267) | - | (4,267) |
| *Net income recognized directly in equity* | | - | - | 11,928 | - | 11,928 |
| Net profit for the year | | - | - | - | 405,400 | 405,400 |
| *Total recognized income* | | - | - | 11,928 | 405,400 | 417,328 |
| Balance at November 1, 2007 | | 1,967,183 | - | 23,500 | 433,422 | 2,424,105 |
| Gain on revaluation of land and buildings | 19 | - | - | 316,289 | - | 316,289 |
| Deferred tax adjustment on revaluation reserve | 12 | - | - | 9,307 | - | 9,307 |
| *Net income recognized directly in equity* | | - | - | 325,596 | - | 325,596 |
| Net profit for the year | | - | - | - | 645,989 | 645,989 |
| *Total recognized income* | | - | - | 325,596 | 645,989 | 971,585 |
| Transfers arising on reorganization and amalgamation | 19,20 | - | 566,606 | (349,096) | (246,288) | (28,778) |
| Capital distributions | 38 | - | (420,839) | - | - | (420,839) |
| Balance at October 31, 2008 | | 1,967,183 | 145,767 | - | 833,123 | 2,946,073 |

The Notes on Pages 31 to 82 form an integral part of the financial statements

# Consolidated Statement of Cash Flows

## Year ended October 31, 2008

| | 2008<br>$'000 | Restated<br>2007<br>$'000 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net profit | 645,989 | 405,400 |
| Adjustments for: | | |
| Depreciation of property and equipment | 173,601 | 120,143 |
| Amortization of intangible assets | 1,820 | 1,484 |
| Adjustments to property and equipment | ( 34) | 2,000 |
| Gain on disposal of property and equipment | ( 124) | ( 417) |
| Operating assets written off | 2,672 | - |
| Loss on revaluation of property | 2,396 | - |
| Unrealized exchange losses | 26,024 | 251 |
| Exchange gain on long-term receivable | ( 20,442) | - |
| Other gains and losses | - | 24,615 |
| Impairment loss recognized on trade receivables | 20,936 | 24,756 |
| Reversal of impairment loss on trade receivables | ( 11,638) | ( 16,085) |
| Interest income | ( 84,554) | ( 46,956) |
| Interest expenses | 32,422 | 20,478 |
| Income tax expenses | 461,844 | 225,831 |
| Operating cash flow before movement in working capital | 1,250,912 | 761,500 |
| (Increase) decrease in operating assets | | |
| Other assets | - | ( 5,781) |
| Inventories | 48,214 | ( 67,796) |
| Trade and other receivables | ( 77,155) | ( 49,199) |
| Increase (decrease) in operating liabilities | | |
| Trade and other payables | ( 2,123) | 10,775 |
| Prizes payable | ( 37,261) | 70,146 |
| Cash generated by operations | 1,182,587 | 719,645 |
| Income tax paid | ( 352,126) | (111,739) |
| Interest paid | ( 32,422) | ( 13,567) |
| Cash provided by operating activities | 798,039 | 594,339 |
| **INVESTING ACTIVITIES** | | |
| Acquisition of property and equipment (Note 5) | ( 154,041) | (189,948) |
| Acquisition of intangible assets | ( 28,811) | ( 1,495) |
| Proceeds on disposal of property and equipment | 1,315 | 2,260 |
| Long-term receivable | - | 85,997 |
| Interest received | 69,026 | 46,980 |
| Cash used in investing activities | ( 112,511) | ( 56,206) |
| **FINANCING ACTIVITIES** | | |
| Cost of restructuring and amalgamation | ( 28,778) | - |
| Dividends paid | ( 420,839) | - |
| Loans repaid | ( 152,221) | ( 41,731) |
| Lease obligations paid | ( 17,904) | ( 10,656) |
| Cash used in financing activities | ( 619,742) | ( 52,387) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 65,786 | 485,746 |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | 839,509 | 353,763 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | 905,295 | 839,509 |

The Notes on Pages 31 to 82 form an integral part of the financial statements

# Balance Sheet

## As at October 31, 2008

| | Notes | 2008<br>$'000 | 2007<br>$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | 5 | 420,136 | 347,142 |
| Goodwill | 6 | 189,953 | - |
| Other intangible assets | 7 | 802 | 1,939 |
| Investment in subsidiaries | 8 | 1,218,531 | 1,193,439 |
| Long-term receivable | 9 | 558,664 | 284,035 |
| Available-for-sale investments | 10 | 16,939 | 16,939 |
| | | 2,405,025 | 1,843,494 |
| **Current assets** | | | |
| Income tax recoverable | | - | 961 |
| Inventories | 14 | 33,983 | 87,279 |
| Trade and other receivables | 15 | 24,129 | 11,114 |
| Due from related parties | 16 | 82,100 | 406,256 |
| Cash and bank deposits | 17 | 82,519 | 68,384 |
| | | 222,731 | 573,994 |
| **Total assets** | | 2,627,756 | 2,417,488 |
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders Equity** | | | |
| Share capital | 18 | 1,967,183 | 1,967,183 |
| Capital reserve | 20 | 145,767 | - |
| Retained earnings deficit | | (2,025) | (104,482) |
| | | 2,110,925 | 1,862,701 |
| **Non-current liabilities** | | | |
| Long-term liability | 21 | 148,414 | 219,984 |
| Deferred tax liability | 12 | 38,392 | 8,808 |
| | | 186,806 | 228,792 |
| **Current liabilities** | | | |
| Trade and other payables | 22 | 213,686 | 210,618 |
| Current portion of long-term liability | 21 | 87,404 | 115,377 |
| Income tax payable | | 28,935 | - |
| | | 330,025 | 325,995 |
| **Total equity and liabilities** | | 2,627,756 | 2,417,488 |

The Notes on Pages 31 to 82 form an integral part of the financial statements.

The financial statements on Pages 23 to 82 were approved and authorized for issue by the Board of Directors on December 19, 2008 and are signed on its behalf by:

Paul Hoo - Chairman

Brian George - President and CEO

# Profit & Loss Account

**Year ended October 31, 2008**

| | Notes | 2008 $'000 | 2007 $'000 |
|---|---|---|---|
| Revenue | 23 | 1,276,698 | 3,551,580 |
| Direct expenses | 25 | ( 932,100) | (3,334,494) |
| Gross Profit | | 344,598 | 217,086 |
| Interest income | | 67,704 | 28,636 |
| Operating expenses | 26 | ( 232,778) | ( 243,247) |
| Other gains and losses | 28 | - | ( 24,615) |
| Finance cost | 29 | ( 14,368) | ( 6,911) |
| **PROFIT (LOSS) BEFORE TAXATION** | 30 | 165,156 | ( 29,051) |
| Taxation | 32 | ( 62,699) | ( 2,129) |
| **NET PROFIT (LOSS)** | | 102,457 | ( 31,180) |

The Notes on Pages 31 to 82 form an integral part of the financial statements

# Statement of Changes in Equity

## Year ended October 31, 2008

| | Notes | Share Capital $'000 | Capital Reserve $'000 | Retained Earnings $'000 | Total $'000 |
|---|---|---|---|---|---|
| Balance at November 1, 2006 | | 1,967,183 | - | (73,302) | 1,893,881 |
| Net loss for the year | | - | - | (31,180) | (31,180) |
| Total recognized expenses for the year | | - | - | (31,180) | (31,180) |
| Balance at November 1, 2007 | | 1,967,183 | - | (104,482) | 1,862,701 |
| Net profit for the year | | - | - | 102,457 | 102,457 |
| Total recognized income for the year | | - | - | 102,457 | 102,457 |
| Transfers arising on reorganization and amalgamation | 20 | - | 566,606 | - | 566,606 |
| Capital distributions | 38 | - | (420,839) | - | (420,839) |
| Total recognized in equity | | - | 145,767 | - | 145,767 |
| Balance at October 31, 2008 | | 1,967,183 | 145,767 | (2,025) | 2,110,925 |



The Notes on Pages 31 to 82 form an integral part of the financial statements

# Statement of Cash Flows

## Year ended October 31, 2008

| | 2008<br>$000 | 2007<br>$000 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net profit (loss) | 102,457 | ( 31,180) |
| Adjustment for: | | |
| Depreciation of property and equipment | 56,772 | 26,518 |
| Gain on disposal of property and equipment | ( 60) | ( 938) |
| Unrealised exchange loss (net) | 16,861 | ( 6,446) |
| Exchange gain on long-term receivable | ( 8,088) | - |
| Write-off of project advances and receivables | - | 24,615 |
| Amortization of intangible assets | 1,137 | 1,091 |
| Interest income | ( 67,704) | ( 28,636) |
| Interest expenses | 14,368 | 6,911 |
| Income tax expenses | 62,699 | 2,129 |
| Operating cash flows before movement in working capital | 178,442 | ( 5,936) |
| Decrease (increase) in inventory | 53,296 | ( 69,128) |
| Decrease in trade and other receivables | 1,759 | 57,380 |
| Decrease in due from related parties | 40,508 | 93,590 |
| Decrease in trade and other payables | ( 8,842) | (244,433) |
| (Decrease) increase in prizes payable | - | ( 75,359) |
| Cash generated from (used in) operations | 265,163 | (243,886) |
| Interest paid | ( 14,368) | - |
| Income tax paid | ( 3,219) | ( 47,027) |
| Cash provided by (used in) operating activities | 247,576 | (290,913) |
| **INVESTING ACTIVITIES** | | |
| Interest received | 52,176 | 28,642 |
| Acquisition of property and equipment | ( 4,436) | ( 16,932) |
| Proceeds on disposal of property and equipment | 1,112 | 2,175 |
| Acquisition of intangible assets | - | ( 1,495) |
| Long-term receivable | 307,651 | 85,997 |
| Investment in subsidiary | ( 22,889) | ( 1,000) |
| Cash provided by investing activities | 333,614 | 97,387 |
| **FINANCING ACTIVITIES** | | |
| Cost of restructuring and amalgamation | ( 28,778) | - |
| Dividend paid | (420,839) | - |
| Loan repaid | (118,502) | - |
| Cash used in financing activities | (568,119) | - |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | 13,071 | (193,526) |
| Cash and bank balances transferred on amalgamation (Note 41) | 1,064 | - |
| | 14,135 | (193,526) |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | 68,384 | 261,910 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | 82,519 | 68,384 |



The Notes on Pages 31 to 82 form an integral part of the financial statements

1 **IDENTIFICATION**

(a) Group

Supreme Ventures Limited (the company) is a public limited liability company which is listed on the Jamaica Stock Exchange. The company's registered office is 4th Floor, Sagicor Centre, 28-48 Barbados Avenue, Kingston 5.

The company's main activities up to January 1, 2007, was the promotion and operation of lottery type games under licences from the Betting, Gaming & Lotteries Commission (BGLC). Based on an agreement with BGLC the licences were transferred to a wholly-owned subsidiary, Supreme Ventures Lotteries Limited as of January 2, 2007 (see below). The main activities of the company since January 2, 2007, are the management of the subsidiary companies and sale of mobile phone pin codes.

The Group comprises the company and its wholly-owned subsidiaries which are all incorporated in Jamaica.

The subsidiaries that are consolidated and their principal activities are as follows:

| Name of Company | Principal Activity | Percentage Ownership % |
|---|---|---|
| Supreme Ventures Lotteries Limited | | |
| and its subsidiary: | Lottery operations (from January 2, 2007) | 100 |
| Bingo Investments Limited | Lottery operations (from March 15, 2008) | 100 |
| Prime Sports (Jamaica) Limited | | |
| and its wholly-owned subsidiary: | Gaming operations | 100 |
| Chillout Ventures Limited | Gaming operations (not in operation) | 100 |
| Supreme Ventures Financial Services | | |
| Limited | Foreign exchange dealer services | 100 |
| Big A Track 2003 Limited | Sports betting (not in operation) | 100 |
| Jamaica Lottery Company Limited (JLC) | | |
| and its wholly owned subsidiaries | Lottery operations (in voluntary liquidation) | 100 |
| Jamaica Lottery Holdings Limited (JLH) | Inactive | 100 |
| Coral Cliff Entertainment Limited | Hospitality services (in voluntary liquidation) | 100 |
| Village Square Entertainment Limited | Gaming operations (in voluntary liquidation) | 100 |

Supreme Ventures Lotteries Limited (SVLL) was originally incorporated as Supreme Ventures Holdings Limited on April 1, 2005. By certificate of incorporation on change of name dated December 12, 2006, the name was changed to the current name. SVLL which was previously owned by the three major shareholders of the company became a wholly-owned subsidiary of the company effective December 10, 2006.

SVLL commenced operation on January 2, 2007, to promote and operate lottery type games under a licence from BGLC, which up to January 1, 2007 were operated by the company. The tenure of the licence issued to SVLL is from January 1, 2007 to January 10, 2016. The licence permits SVLL to promote lottery games namely: Cash Pot, Lucky 5, Dollaz!, Pick 3, Lotto, Prime Time Bingo and a variety of instant games.

1 **IDENTIFICATION (Cont'd)**

(a) Group (Cont'd)

Effective April 3, 2008, the Group was re-organized in a bid to streamline its operations. The scheme of reorganization and amalgamation resulted in the following:

(i) The assets, liabilities and operations of Coral Cliff Entertainment Limited (CCEL) and Village Square Entertainment Limited (VSEL) which were previously subsidiaries of Jamaica Lottery Company Limited (JLC) were transferred to Prime Sports (Jamaica) Limited.

(ii) The assets, liabilities and operations of JLC were transferred to the parent company, Supreme Ventures Limited (SVL). As a result Supreme Ventures Financial Services Limited became a wholly-owned subsidiary of SVL.

(iii) The ownership of Chillout Ventures Limited was transferred from JLC to Prime Sports (Jamaica) Limited.

Effective April 3, 2008, CCEL, VSEL and JLC ceased operations and have been put into members' voluntary liquidation.

On July 17, 2008, the company acquired Big A Track 2003 Limited, a company incorporated and domiciled in Jamaica.

(b) Reporting periods

The fiscal period end of all the subsidiaries in the Group is October 31.



(c) Reporting currency

These financial statements are expressed in Jamaican dollars which is the functional currency of the Group.

2 **ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

2.1 ***Standards and Interpretations effective in the current year***

In the current year, the Group adopted IFRS 7 Financial Instruments: Disclosures effective for accounting period beginning on November 1, 2007, and the consequential amendments to IAS 1, Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the group's financial instruments and management of capital (See Note 40).

Five interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are:

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

2.1 *Standards and Interpretations effective in the current year (Cont'd)*

| | |
|---|---|
| IFRIC 7 | Applying the Restatement Approach under IAS 29 Financial Reporting in Hyper-Inflationary Economies |
| IFRIC 8 | Scope of IFRS 2 |
| IFRIC 9 | Reassessment of Embedded Derivatives |
| IFRIC 10 | Interim Financial Reporting and Impairment |
| IFRIC 11 | Group and Treasury Share Transactions |

The adoption of these Interpretations has not resulted in changes to the Group's accounting policies nor the amounts reported for the current or prior years.

2.2 *Standards and Interpretations in issue not yet adopted*

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not effective for the financial period being reported on:

| | | Effective for annual periods beginning on or after |
|---|---|---|
| IAS 1 (Revised) | Presentation of Financial Statements | January 1, 2009 |
| IAS 23 (Revised) | Borrowing Costs | January 1, 2009 |
| IAS 27 | Consolidated and Separate Financial Statements - Consequential amendments arising from amendments to IFRS 3 | July 1, 2009 |
| IAS 28 | Investments in Associates - Consequential amendments arising from amendments to IFRS 3 | July 1, 2009 |
| IAS 31 | Interests in Joint Ventures - Consequential amendments arising from amendments to IFRS 3 | July 1, 2009 |
| IAS 32 | Financial Instruments: Presentation - Amendments relating to puttable instruments and obligations arising on liquidation | January 1, 2009 |
| IAS 39 | Financial Instruments: Recognition and measurement - Amendments for eligible hedged items | July 1, 2009 |
| IAS 1,16,19,20, ) 23,27,28,29,) 31, 36,38,39,) 40 and 41) | Amendments resulting from May 2008 annual improvements to IFRS | January 1, 2009 |
| IFRS 1 | First time adoption of IFRS - Amendment relating to cost of an investment on first time adoption | July 1, 2009 |
| IFRS 2 | Share-based Payment - Amendment relating to vesting conditions and cancellations | January 1, 2009 |
| IFRS 3 | Business Combinations - Comprehensive revision on applying the acquisition method | July 1, 2009 |
| IFRS 5 | Amendments resulting from May 2008 annual improvements to IFRS | July 1, 2009 |

2 **ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)**

2.2 ***Standards and Interpretations in issue not yet adopted (Cont'd)***

| | | Effective for annual periods beginning on or after |
|---|---|---|
| IFRS 8 | Operating Segments | January 1, 2009 |
| IFRIC 12 | Service Concession Arrangements | January 1, 2008 |
| IFRIC 13 | Customer Loyalty Programmes | July 1, 2008 |
| IFRIC 14 | IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction | January 1, 2008 |
| IFRIC 15 | Agreements for the Construction of Real Estate | January 1, 2009 |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation | October 1, 2008 |
| IFRIC 17 | Distribution of Non-Cash Assets to Owners | July 1, 2009 |

Except as noted below, the Board of Directors anticipate that the adoption of these Standards and Interpretations in the future periods at their effective dates will not be applicable to the financial statements of the Group in the period of initial application.

*IAS 1 (Revised 2007) Presentation of Financial Statements* – IAS 1, among other things, affects the presentation of owner changes in equity and comprehensive income. It requires the presentation of all non-owners changes in equity (comprehensive income) in one or two statements; either in a single statement of comprehensive income, or in an income statement and a statement of comprehensive income. On adoption at its effective date, the standard will result in a change in the presentation of the Group's income statement and the statement of changes in equity.

*IAS 23 (Revised) - Borrowing Costs* removes the option of either capitalising borrowing costs relating to qualifying assets or expensing these borrowing costs. The revised standard requires management to capitalise borrowing costs attributable to qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use or sale. The adoption of this revised standard at its effective date is not expected to have a material impact on the Group's financial statements.

Revised IFRS 3 Business Combinations and consequential amendments to IAS 27 Consolidated and *Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures.* The revisions remove the scope exclusions for business combinations involving two or more mutual entities and business combinations in which separate entities are brought together to form a reporting entity by contract alone without the obtaining of an ownership interest. The standard is not expected to have any significant impact on the Group's financial statements.

*IFRS 8 Operating Segments* - IFRS 8 replaces IAS 14 and sets out requirements for disclosure of information about an entity's operating segments and about the entity's products and services, the geographical areas in which it operates and its major customers. The standard is required for entities whose debt or equity instruments are traded in a public market or that file their financial information with a regulatory organization for the purpose of issuing any class of instruments in a public market. The adoption of this standard at its effective date is relevant to the Group and will have an impact on segment reporting in the financial statements.

3 **SIGNIFICANT ACCOUNTING POLICIES**

3.1 **Statement of compliance**

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

During the year, the Group changed its policy on measurement of freehold land and buildings from the cost method to the valuation method.

3.2 **Basis of preparation**

These financial statements have been prepared under the historical cost basis except for the revaluation of freehold land and buildings. The principal accounting policies are set out below:

3.3 **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3.4 **Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, Business Combinations are recognized at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

3.5 **Interest in joint venture**

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is, where the strategic financial and operating policy decisions relating to the activities of the joint venture require unanimous consent of the parties sharing control.

Where a Group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities is carried jointly with other venturers are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interest in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured readily.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interest in jointly controlled entities using proportionate consolidation. The Group's share of the assets, liabilities, income and expenses and jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill on the acquisition of a subsidiary.

Where the Group transacts with its jointly controlled entities, unrealised profit and loss are eliminated to the extent of the Group's interest in the joint venture.



3.6 **Property and equipment**

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited in equity to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from revaluation reserve to retained earnings except when an asset is derecognized.

Other property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is not depreciated.

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

3.6 **Property and equipment (Cont'd)**

Property and equipment in the course of construction or assembly for production or administrative purposes or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets on the same basis as similar property and equipment, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and capital work-in-progress, over the estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.7 **Goodwill**

Goodwill arising on the acquisition of a subsidiary or jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entities recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.8 **Intangible assets**

3.8.1 Intangible assets acquired separately

Intangible assets acquired separately, primarily computer software not integral to computer hardware, are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual period, with the effect of any changes in estimate being accounted for on a prospective basis.

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

3.8 **Intangible assets (Cont'd)**

3.8.2 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination, such as value of licences acquired, are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at acquisition date.

Subsequent to initial recognition intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses on the same basis as intangible assets acquired separately.

3.9 **Impairment of tangible and intangible assets**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, separate assets are also allocated to the smallest group of cash generating units.

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.



If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount in which case the reversal is treated as a revaluation increase.

3.10 **Taxation**

Income tax expense represents the sum of tax currently payable and deferred tax.

3.10.1 *Current tax*

The tax currently payable is based on taxable profits for the year. Taxable profit differs from the net profit as reported in the profit and loss account balance. It excludes items of revenue or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted at balance sheet date.

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

3.10 **Taxation (Cont'd)**

3.10.2 *Deferred tax*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profits and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realized based on tax rates (and tax laws) that have been enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.10.3 *Current and deferred tax for the period*

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity in which case the tax is also recognized directly in equity.

3.11 **Other assets**

These are stated at the lower of cost, and net realizable value.

3.12 **Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is calculated on a first-in, first-out (FIFO) basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

3.13 **Financial instruments**

A financial instrument is any contract that gives rise to a financial asset to one entity and a financial liability or equity to another entity.

A financial asset is any asset that is:

(a) cash
(b) an equity instrument of another entity
(c) a contractual right

(i) to receive cash or another financial asset from another entity; or
(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation:

(i) to deliver cash or another financial asset to another entity; or
(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group.

3.14 **Financial assets**

Financial assets are recognized and derecognized on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned and are initially measured at fair value, plus transaction costs.

Financial assets of the Group include cash and bank deposits, trade and other receivables, long-term receivable and unquoted investments.



Financial assets are classified into the following specified categories: 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3.14.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period.

3.14.2 Loans and receivables

Trade receivable, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

3.14 ***Financial assets (Cont'd)***

3.14.3 *Available-for-sale investments*

Unquoted investments are classified as 'available-for-sale' and are stated at fair value, except where fair value cannot be reliably determined, they are stated at cost. Gains and losses arising from changes in fair value are recognized directly in equity, with exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monitory assets, which are recognized directly in profit and loss. Where the investment is disposed of or is determined to be impairment the cumulative gain or loss previously recognized in equity is included in profit or loss for the period.

3.14.4 *Related party*

A party is considered to be related if:

(i) directly or indirectly, through one or more intermediaries, one party is able to exercise control or significant influence over the other party;

(ii) both parties are subject to common control or significant influence from the same source;

(iii) the party is a member of key management personnel of the Group or its parent, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors, officers and close members of the families of these individuals; or

(iv) the party is a post-employment benefit plan for the benefit of the employees of the Group.

3.14.5 *Cash and cash equivalents*

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, net of bank overdraft, and other highly liquid bank deposits held with financial institutions, with an original maturity of three months or less from the date of acquisition and are held to meet cash requirements rather than for investment purposes.

3.14.6 *Impairment of financial assets*

Financial assets are assessed for indication of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all financial assets, including redeemable notes classified as AFS objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.14 ***Financial assets (Cont'd)***

3.14.6 *Impairment of financial assets (Cont'd)*

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the profit and loss account to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

3.14.7 De-recognition of financial assets

The Group de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.



3.15 **Financial liabilities and equity instruments issued by the Group**

3.15.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.15.2 Financial liabilities

Financial liabilities of the Group are classified as other financial liabilities and include borrowings, trade and other payable and prizes payable, and are initially measured at fair value net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognized on an effective yield basis.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.15 **Financial liabilities and equity instruments issued by the Group (Cont'd)**

3.15.2 Financial liabilities (Cont'd)

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

3.15.3 Derecognition of financial liabilities

The Group recognizes financial liability when, and only when, the Group's obligations are discharged, cancelled or they expire.

3.15.4 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3.16 **Revenue**

Revenue represents the gross proceeds of the lottery games, Cash Pot, Lucky 5, Dollaz, Pick 3, Lotto, Prime Time Bingo and Instant Games, pin code sales, income earned from remittance and foreign exchange dealer services, proceeds from hospitality and gaming operations by the Group. Revenue is recognized as follows:

3.16.1 Lottery

Ticket sales – lottery games are sold to the public by contracted retail agents. Revenue is recognized when tickets are sold to players.

Unclaimed prizes – in keeping with clause number 28 of the licence, winning tickets must be redeemed within 90 days of the relevant draw unless otherwise notified. Any valid winning ticket presented after the expiration of this period may be paid provided payment is made within 180 days of the draw, after which prizes may be paid only with written approval of BGLC. Fifty percent (50%) of unclaimed prizes (net of taxes where applicable) are transferred to revenue and the remainder is paid over to the CHASE Fund.

3.16.2 Gaming – revenue is recorded based on the cash value of tokens cleared from the 'drop box' (net wins) and the cash bills cleared from the bill receptor.

3.16.3 Hospitality

Hospitality and related services – recognised when the service is provided.

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

3.16 **Revenue (Cont'd)**

3.16.4 Financial services

Revenue for remittance services – recognized at the point of receipt of funds for remittance by Moneygram International – (a sent fee) and at the point of pay out by the agents – (commission income).

Foreign exchange trading – revenue comprises net gains from foreign exchange trading and is accounted for on the accrual basis.

3.16.5 Pin codes

Pin codes are sold to the public by the contracted retail agents. Revenue is recognized when pin codes are sold by the agents.

3.17 **Segment reporting**

A segment is a distinguishable component of the Group that is engaged in either providing products or services.

Segment information is presented in respect of the Group's business. The primary format for business segments is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

The activities of the Group are organized into the following primary segments:

(a) Lottery
(b) Gaming and hospitality
(c) Financial services
(d) Pin codes and other

3.18 **Foreign currencies**

The financial statements of the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of the Group, transactions in currencies other than the Group's functional currency, the Jamaican dollar, are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlements of monetary items and on the retranslation of monetary items, are included in profit and loss account for the period.

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

3.19 **Leases**

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss over the lease period.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

3.20 **Retirement benefit costs**

Payments to the defined contribution retirement benefit plan are recognized as an expense when employees have rendered service entitling them to the contributions.

3.21 **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.22 **Comparative information**

Where necessary comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, the comparatives have been extended to reflect the requirements of amendments to existing IFRS.

## 4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

***Critical judgements in applying the Group's accounting policies***

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognized in the financial statements.

*Goodwill*

As described in Note 6 to the financial statements goodwill arising on acquisition at the balance sheet date amounts to $586.6 million. The directors and management have carried out an assessment and have made a judgement that goodwill that exists at the balance sheet date is not impaired, and no adjustments have been made to recognize any losses.

*Deferred tax assets*

As described in Note 12, the financial statements include a deferred tax assets of the Group of $37.3 million representing tax benefits of tax losses available for set-off against future taxable profits. The judgement made by the directors and management is that based on the continuing reorganization plans and projections of the Group, the subsidiary currently operating at a loss will return to profitability and therefore the deferred tax asset is realizable in the future.



***Key sources of estimation uncertainty***

Except as noted below there were no other key assumptions concerning the future, and other key source of estimation uncertainty at the balance sheet date that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

*Other assets*

As described in Note 13 to the financial statements other assets include acquisition cost in the amount of $18.1 million for tokens that are used in the gaming machines. The directors and management estimate that there is no deterioration in value through usage and cost is less than the net realizable value. As a consequence no charge has been made to the profit and loss account.

5 **PROPERTY AND EQUIPMENT**

| | The Group | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Freehold Land (At Valuation) | Freehold Buildings (At Valuation) | Leasehold Buildings | Leasehold Improvements | Machinery & Equipment | Gaming Equipment | Furniture, Fixtures & Equipment | Computer Equipment | Motor Vehicles | Arts & Paintings | Signs & Posters | Capital Work in Progress | Total |
| | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 |
| **Cost/Valuation** | | | | | | | | | | | | | |
| November 1, 2006 | 119,296 | 555,240 | - | 211,725 | 70,896 | 61,297 | 444,278 | 17,939 | 39,860 | 2,363 | 24,928 | - | 1,547,822 |
| Additions | - | - | 120,348 | 65 | 21,287 | 374,475 | 31,558 | 2,538 | 5,550 | - | - | 73,021 | 628,842 |
| Revaluation adjustment | 3,390 | 11,758 | - | - | - | - | - | - | - | - | - | - | 15,148 |
| Adjustment | - | - | - | - | - | ( 2,000) | - | - | - | - | - | - | ( 2,000) |
| Disposals | - | - | - | ( 710) | - | - | ( 2,084) | - | ( 2,854) | - | - | - | ( 5,648) |
| At November 1, 2007 | 122,686 | 566,998 | 120,348 | 211,080 | 92,183 | 433,772 | 473,752 | 20,477 | 42,556 | 2,363 | 24,928 | 73,021 | 2,184,164 |
| Additions | - | - | - | 1,603 | 7,518 | 16,823 | 38,574 | 2,683 | 35,605 | - | - | 51,235 | 154,041 |
| Revaluation adjustment | 10,314 | 302,982 | - | - | - | - | - | - | - | - | - | - | 313,296 |
| Reclassification | - | - | - | ( 23,690) | 108,702 | 25,272 | (106,673) | ( 3,611) | - | - | - | - | - |
| Transfers | - | - | - | 122,102 | - | - | - | - | - | - | - | (122,102) | - |
| Disposals | - | - | - | - | - | - | ( 2,672) | - | ( 7,572) | - | - | - | ( 10,244) |
| October 31, 2008 | 133,000 | 869,980 | 120,348 | 311,095 | 208,403 | 475,867 | 402,981 | 19,549 | 70,589 | 2,363 | 24,928 | 2,154 | 2,641,257 |
| **Depreciation** | | | | | | | | | | | | | |
| November 1, 2006 | - | 11,277 | - | 41,850 | 6,367 | 13,304 | 169,112 | 14,326 | 18,944 | - | 23,109 | - | 298,289 |
| Charge for the year | - | 12,168 | - | 22,124 | 7,089 | 26,935 | 40,672 | 2,368 | 7,462 | - | 1,325 | - | 120,143 |
| Revaluation adjustment | - | ( 1,047) | - | - | - | | - | - | - | - | - | - | ( 1,047) |
| Disposals | - | - | - | ( 375) | - | - | ( 1,814) | - | ( 1,616) | - | - | - | ( 3,805) |
| November 1, 2007 | - | 22,398 | - | 63,599 | 13,456 | 40,239 | 207,970 | 16,694 | 24,790 | - | 24,434 | - | 413,580 |
| Charge for the year | - | 19,669 | 3,009 | 27,795 | 15,565 | 55,149 | 41,528 | 2,150 | 8,367 | - | 369 | - | 173,601 |
| Revaluation adjustment | - | ( 597) | - | - | - | - | - | - | - | - | - | - | ( 597) |
| Reclassification | - | - | - | ( 14,975) | 55,563 | 11,716 | ( 49,819) | ( 2,485) | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - | ( 6,398) | - | - | - | ( 6,398) |
| October 31, 2008 | - | 41,470 | 3,009 | 76,419 | 84,584 | 107,104 | 199,679 | 16,359 | 26,759 | - | 24,803 | - | 580,186 |
| **Carrying amount** | | | | | | | | | | | | | |
| October 31, 2008 | 133,000 | 828,510 | 117,339 | 234,676 | 123,819 | 368,763 | 203,302 | 3,190 | 43,830 | 2,363 | 125 | 2,154 | 2,061,071 |
| October 31, 2007 | 122,686 | 544,600 | 120,348 | 147,481 | 78,727 | 393,533 | 265,782 | 3,783 | 17,766 | 2,363 | 494 | 73,021 | 1,770,584 |

5 **PROPERTY AND EQUIPMENT (Cont'd)**

Annual depreciation charges are being calculated using the following useful lives:

| | | |
|---|---|---|
| Freehold buildings | - | 40 years |
| Leasehold improvements | - | Over the life of the leases |
| Machine & equipment | - | 10 years |
| Gaming equipment | - | 5-10 years |
| Furniture, fixtures and office equipment | - | 3-10 years |
| Computer equipment | - | 3-5 years |
| Motor vehicles | - | 5-8 years |
| Signs and posters | - | 5 years |

No depreciation is provided on freehold land, art and paintings.

Freehold land and buildings carried at fair value.

An independent valuation of the Group's land and buildings were performed by Allison Pitter& Company to determine the fair values of the land and buildings. The fair values were determined based on the open market value basis.

Property owned by the subsidiary – the effective date of valuation was January 28, 2008 (2007: Based on open market valuation in April 2005 by Messrs. Langford & Brown).

Property owned by the company – the effective date of valuation was February 21, 2008 (2007: Based on open market valuation in June 2007 by Property Consultants Limited).

Had the Group's land and buildings been measured on a historical cost basis, their carrying amount would have been as follows:



| | 2008 | 2007 |
|---|---|---|
| | $'000 | $'000 |
| Freehold land | 24,515 | 24,515 |
| Freehold buildings | 161,460 | 166,453 |

*Cash outflow on acquisition of property and equipment - the Group*

During 2007 the Group acquired property and equipment with an aggregate cost of $628.842 million of which $438.894 million was acquired by means of contracted liabilities. The balance of $189.948 million was settled in cash and has been included as Group's cash outflow on acquisition of property and equipment.

5 **PROPERTY AND EQUIPMENT (Cont'd)**

| | The Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Freehold Land (At Valuation) | Freehold Buildings (At Valuation) | Leasehold Improvements | Video Lottery Terminal Equipment | Gaming Equipment | Furniture, Fixtures and Office Equipment | Computer Equipment | Motor Vehicles | Roadway and Fencing | Art and Paintings | Signs and Posters | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cost/Valuation** | | | | | | | | | | | | |
| November 1, 2006 | - | - | 15,968 | - | - | 19,136 | 6,774 | 29,825 | - | 2,363 | - | 74,066 |
| Additions | - | - | - | 323,039 | - | 307 | 1,422 | 5,550 | - | - | - | 330,318 |
| Disposal | - | - | - | - | - | - | - | ( 2,650) | - | - | - | ( 2,650) |
| At November 1, 2007 | - | - | 15,968 | 323,039 | - | 19,443 | 8,196 | 32,725 | - | 2,363 | - | 401,734 |
| Additions | - | - | - | 4,436 | - | - | - | - | - | - | - | 4,436 |
| Acquisition on amalgamation of subsidiary | 13,000 | 15,000 | 6,449 | - | 193,871 | 27,137 | 8,263 | 7,397 | 1,130 | - | 24,642 | 296,889 |
| Disposal | - | - | - | - | - | - | - | ( 6,573) | - | - | - | ( 6,573) |
| At October 31, 2008 | 13,000 | 15,000 | 22,417 | 327,475 | 193,871 | 46,580 | 16,459 | 33,549 | 1,130 | 2,363 | 24,642 | 696,486 |
| **Depreciation** | | | | | | | | | | | | |
| November 1, 2006 | - | - | 7,081 | - | - | 5,193 | 4,628 | 12,585 | - | - | - | 29,487 |
| Charge for the year | - | - | 2,989 | 13,460 | - | 1,950 | 1,547 | 6,572 | - | - | - | 26,518 |
| Disposal | - | - | - | - | - | - | - | ( 1,413) | - | - | - | ( 1,413) |
| At November 1, 2007 | - | - | 10,070 | 13,460 | - | 7,143 | 6,175 | 17,744 | - | - | - | 54,592 |
| Charge for the year | - | 292 | 2,927 | 32,563 | 10,994 | 2,654 | 1,240 | 5,977 | 16 | - | 109 | 56,772 |
| Charge on amalgamation of subsidiary | - | 125 | 5,867 | - | 101,243 | 23,971 | 8,263 | 6,269 | 250 | - | 24,518 | 170,506 |
| Disposal | - | - | - | - | - | - | - | ( 5,520) | - | - | - | ( 5,520) |
| At October 31, 2008 | - | 417 | 18,864 | 46,023 | 112,237 | 33,768 | 15,678 | 24,470 | 266 | - | 24,627 | 276,350 |
| **Carrying amount** | | | | | | | | | | | | |
| October 31, 2008 | 13,000 | 14,583 | 3,553 | 281,452 | 81,634 | 12,812 | 781 | 9,079 | 864 | 2,363 | 15 | 420,136 |
| October 31, 2007 | - | - | 5,898 | 309,579 | - | 12,300 | 2,021 | 14,981 | - | 2,363 | - | 347,142 |

5 **PROPERTY AND EQUIPMENT (Cont'd)**

Annual depreciation rates are based on the following useful lives:

| | | |
|---|---|---|
| Leasehold improvements | - | 5 years |
| Gaming equipment | - | 10 years |
| Furniture, fixtures and office equipment | - | 10 years |
| Computer equipment | - | 3 years |
| Motor vehicles | - | 5 years |

No depreciation is provided on art and paintings.

*Cash out flow on acquisition of property and equipment - the company*

The reorganization and amalgamation in 2008, as described in Note 1, resulted in the transfer of property and equipment with a net book value of $126.383 million from the subsidiary's amalgamation with the company.

During 2007 the company acquired property and equipment with an aggregate cost of $330.318 million of which $313.386 million was acquired by means of a contracted liability. The balance of $16.932 million was settled in cash and has been included as the company's cash outflow on acquisition of property and equipment.

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $'000 | $'000 | $'000 | $'000 |
| Acquired goodwill | 586,644 | 586,644 | 189,953 | - |

The impairment test is carried out by comparing the recoverable amount of the Group's cash generating units (CGUs) to which goodwill has been allocated, to the carrying amount of those CGUs plus goodwill. For the purposes of the impairment assessment, goodwill has been allocated to the group's cash generating units as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $'000 | $'000 | $'000 | $'000 |
| Gaming operations | 381,728 | 381,728 | - | - |
| Lottery operations | 189,953 | 189,953 | 189,953 | - |
| Financial Services | 14,963 | 14,963 | - | - |
| | 586,644 | 586,644 | 189,953 | - |

Management has determined that the remaining goodwill balance at October 31, 2008 is not impaired based on an assessment of the recoverable amounts of the CGUs based on present value of future cash flows and fair market values.

The company

As a result of the re-organization and amalgamation (see Note 1) the goodwill arising on the acquisition of its formerly wholly-owned subsidiary Jamaica Lottery Company Limited, was transferred to the company as part of net assets transferred (see also Note 41).

7 **OTHER INTANGIBLE ASSETS**

| | The Group | | | The Company |
|---|---|---|---|---|
| | Computer Software | Licences | Total | Computer Software |
| | $'000 | $'000 | $'000 | $'000 |
| **Cost** | | | | |
| November 1, 2006 | 15,956 | 26,155 | 42,111 | 4,803 |
| Additions | 1,495 | - | 1,495 | 1,495 |
| November 1, 2007 | 17,451 | 26,155 | 43,606 | 6,298 |
| Additions | 5,922 | 22,889 | 28,811 | - |
| October 31, 2008 | 23,373 | 49,045 | 72,417 | 6,298 |
| **Amortisation** | | | | |
| November 1, 2006 | 14,028 | - | 14,028 | 3,268 |
| Charge for the year | 1,484 | - | 1,484 | 1,091 |
| November 1, 2007 | 15,512 | - | 15,512 | 4,359 |
| Charge for the year | 1,820 | - | 1,820 | 1,137 |
| October 31, 2008 | 17,332 | - | 17,332 | 5,496 |
| **Carrying Amount** | | | | |
| October 31, 2008 | 6,041 | 49,044 | 55,085 | 802 |
| October 31, 2007 | 1,939 | 26,155 | 28,094 | 1,939 |

Licences represent the cost of the licences acquired through the subsidiaries, Chillout Ventures Limited and Big A Track 2003 Limited. These subsidiaries have not yet commenced operations.

Computer software are amortised over their useful life, which is an average of three years.



8 **INVESTMENT IN SUBSIDIARIES**

8.1 Investments in subsidiaries at cost include:

| | The Company | |
|---|---|---|
| | 2008 | 2007 |
| | $'000 | $'000 |
| Supreme Ventures Lotteries Limited (see 8.2 below) | 1,000 | 1,000 |
| Jamaica Lottery Company Limited (see 8.3 below) | - | 533,710 |
| Supreme Ventures Financial Services Limited (see 8.3 below) | 20,723 | - |
| Jamaica Lottery Holdings Limited (see 8.3 below) | 750 | - |
| Big A Track 2003 Limited | 22,889 | - |
| Prime Sports (Jamaica) Limited (see 8.4 below) | 1,173,169 | 658,729 |
| | 1,218,531 | 1,193,439 |

8 **INVESTMENT IN SUBSIDIARIES (Cont'd)**

8.2 As a consequence of the arrangement with BGLC (see Note 1), the company acquired the controlling interest
8.3 of Supreme Ventures Lotteries Limited (SVLL) (previously Supreme Ventures Holdings Limited) which was
8.4 held by the major shareholders of the company.

The company has signed a guarantee for an amount of J$500 million as required under the arrangements with BGLC. This requirement is based on the licence granted to promote and operate lottery games which states that the licencee is required to have an equity capitalization of not less than $500 million.

8.3 On April 3, 2008, the company entered into a scheme of reconstruction and amalgamation of certain subsidiaries within the group.

Under the agreement, the company being the 100% beneficial shareholder of the issued capital in Jamaica Lottery Company Limited (JLC), amalgamated all the assets and liabilities of JLC with those of the company. JLC ceased operations and was put on members' voluntary liquidation. At balance sheet date the process of liquidation was not completed.

As part of the amalgamation of the assets of JLC, the company became the beneficial owner of the issued capital of Supreme Ventures Financial Services Limited and Jamaica Lottery Holdings Limited.

8.4 Investment in Prime Sports (Jamaica) Limited

| | $'000 |
|---|---|
| Balance at November 1, 2007 | 658,729 |
| New ordinary shares | 251,000 |
| New 18% preference shares | 266,000 |
| | 1,175,729 |
| Less: Stamp duty on transfer | ( 2,560) |
| | 1,173,169 |

On April 3, 2008 through the scheme of reconstruction and amalgamation as described in Note 1 and Note 8.3 above the company acquired in Prime Sports (Jamaica) Limited an additional 251,000,000 new ordinary shares at a value of $251 million and 266,000,000, 18% preference shares at a value of $266 million for a total additional equity investment of $514.4 million after deduction of transfer taxes.

9 **LONG-TERM RECEIVABLES**

9.1 These include:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $'000 | $'000 | $'000 | $'000 |
| SGL BVI Limited (US$4,225,600 (2007: US$4,000,000 (see Note 9.2 below) | 320,005 | 284,035 | - | 284,035 |
| Prime Sports (Jamaica) Limited (see Note 9.3 below) | - | - | 558,664 | - |
| | 320,005 | 284,035 | 558,664 | 284,035 |

9 **LONG-TERM RECEIVABLES (Cont'd)**

9.2 The amount in 2008 represents advance to SGL BVI Limited (SGL BVI), a company incorporated in the British Virgin Islands. SGL BVI is a subsidiary of Supreme Gaming Limited (SGL), a company incorporated under the laws of the State of Florida, USA. The advances are towards the development of gaming activities in the Caribbean and the Latin American region.

In 2007 the amounts were reflected as advances from the company to SGL based on the terms of an agreement dated November 1, 2006.

In accordance with an agreement effective October 10, 2008, the company sold all the rights, title and interest in the entire principal sum of the advances of US$4.0 million and all accrued and unpaid interest thereon amounting to US$225,600, to its wholly-owned subsidiary, Supreme Ventures Lotteries Limited (SVLL).

The advance is secured by a promissory note signed by SGL BVI and endorsed by SVLL for settlement of the outstanding balance at October 31, 2008. The outstanding balance at October 31, 2008, include the principal sum of US$4.0 million and interest at a rate of 5.64% per annum for the period November 1, 2007 to October 31, 2008, capitalized in accordance with arrangements effective October 10, 2008.

The interest rate payable on the advances will be agreed at October 31 each year for the ensuing 12 months period beginning November 1. The rate agreed for the period November 1, 2008 to October 31, 2009 is at 4.79% per annum.

The settlement terms of the promissory note are as follows:

On October 31, 2009, the interest accrued at the agreed rate is to be capitalized.

During the three years from November 1, 2009, the principal sum will be repaid in twelve equal quarterly installments on the last day of January, April, July and October and the twelfth and final installment will be paid on October 31, 2012.

As of November 1, 2009, interest accruing on the reducing principal sum will be paid quarterly on the last day of January, April, July and October.

In addition to the arrangement detailed above between SGL BVI and the subsidiary, Supreme Ventures Lotteries Limited, the company has signed a franchise fee agreement. Under this agreement SGL BVI as the franchisee has the exclusive right to utilize the marks and names of Supreme Ventures Limited on its products in various existing and potential markets throughout Central, South American and the Caribbean regions. The fees payable to the company will be calculated based on agreed rates and revenue generated by SGL BVI.

9.3 Prime Sports (Jamaica) Limited

Under the scheme of reorganization and amalgamation detailed in Note 1 and Note 8.3 the company acquired two debentures issued by Jamaica Lottery Company Limited (JLC) to Prime Sports (Jamaica) Limited (PSJL) for JLC's beneficial interest in Coral Cliff Entertainment Limited and Village Square Entertainment Limited now amalgamated to PSJL.

9 **LONG-TERM RECEIVABLES (Cont'd)**

9.3 Prime Sports (Jamaica) Limited (Cont'd)

The debentures will each be for a term of twenty-one (21) years, payable by 20 interim annual installments of J$250,000 each on March 31st of each year (commencing on March 31, 2009), and a final installment of the remaining unpaid balance of the principal sum on March 31, 2029.

The debentures will bear interest charged on the principal sum at a variable rate which is 1% below the weighted average yield on the Government of Jamaica 6 months Treasury Bills. Interest is to be paid in quarterly installments, commencing July 1, 2008.

10 **AVAILABLE-FOR-SALE INVESTMENTS**

These include:

| | 2008 | 2007 |
|---|---|---|
| | $'000 | $'000 |
| Unquoted investments | 16,939 | 16,939 |

These are stated at cost as there is no basis to assess the fair market value.

11 **INVESTMENT IN JOINT VENTURE**



This represents cost of acquisition of a share of Jonepar Development Limited, a joint venture. The joint venture owns a parcel of land in Montego Bay which is used as a parking facility for the customers of the Coral Cliff gaming lounge and the other venturer. The activities have been negligible since the acquisition date and as a result the investment is stated at original cost.

12 **DEFERRED TAXATION**

These comprise:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $'000 | $'000 | $'000 | $'000 |
| Deferred tax assets | 43,620 | 112,658 | 6,012 | 29,143 |
| Less: Deferred tax liabilities | (41,001) | ( 81,528) | (44,404) | (37,951) |
| | 2,619 | 31,130 | (38,392) | ( 8,808) |

12 **DEFERRED TAXATION (Cont'd)**

The movement of the net deferred tax position was as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $'000 | $'000 | $'000 | $'000 |
| Opening balance | 31,130 | 23,886 | ( 8,808) | ( 6,679) |
| Credited (charged) to equity | 9,307 | ( 4,267) | - | - |
| Credited (charged) to income for the year (Note 32) | (37,818) | 11,511 | (29,584) | ( 2,129) |
| Closing balance | 2,619 | 31,130 | (38,392) | ( 8,808) |

The following are the major deferred tax assets and liabilities recognized during the year:

**Deferred Tax Assets**

The Group

| | Tax Losses | Vacation Leave Payable | Interest Payable | Unrealised Foreign Exchange Losses | Total |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| At November 1, 2006 | 58,600 | 1,253 | - | 3,677 | 63,530 |
| Credited (charged) to income for the year | 48,015 | ( 30) | 2,304 | (1,161) | 49,128 |
| At November 1, 2007 | 106,615 | 1,223 | 2,304 | 2,516 | 112,658 |
| Credited (charged) to income for the year | ( 69,364) | 690 | (2,304) | 1,940 | ( 69,038) |
| At October 31, 2008 | 37,251 | 1,913 | - | 4,456 | 43,620 |

The directors and management are of the view that the deferred tax assets on tax losses are realizable based on projected future profitability of the subsidiary currently operating at a loss.

The Company

| | Tax Losses | Unrealised Foreign Exchange Loss | Vacation Leave Payable | Interest Payable | Total |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| At November 1, 2006 | - | - | 920 | - | 920 |
| Credited (charged) to income for the year | 26,316 | - | (397) | 2,304 | 28,223 |
| At November 1, 2007 | 26,316 | - | 523 | 2,304 | 29,143 |
| Credited (charged) to income for the year | (26,316) | 5,620 | (131) | (2,304) | (23,131) |
| At October 31, 2008 | - | 5,620 | 392 | - | 6,012 |

12 **DEFERRED TAXATION (Cont'd)**

**Deferred Tax Assets (Cont'd)**

The directors and management are of the view that the deferred tax asset recognized on tax losses is realizable based on projected future profitability of the company and the subsidiaries that are currently reporting losses.

**Deferred Tax Liabilities**

The Group

| | Capital Allowance in Excess of Depreciation $'000 | Finance Lease $'000 | Revaluation of Property $'000 | Interest Receivable $'000 | Total $'000 |
|---|---|---|---|---|---|
| At November 1, 2006 restated | 34,469 | - | 5,040 | 135 | 39,644 |
| Charged (credited) to income for the year | 34,072 | 3,553 | - | ( 8) | 37,617 |
| Charged to equity | - | - | 4,267 | - | 4,267 |
| At November 1, 2007 | 68,541 | 3,553 | 9,307 | 127 | 81,528 |
| Charged (credited) to income for the year | (35,774) | 4,644 | - | ( 90) | (31,220) |
| Credited to equity | - | - | (9,307) | - | ( 9,307) |
| At October 31, 2008 | 32,767 | 8,197 | - | 37 | 41,001 |



The Company

| | Capital Allowance in Excess of Depreciation $'000 | Unrealised Foreign Exchange Gain $'000 | Interest Receivable $'000 | Total $'000 |
|---|---|---|---|---|
| At November 1, 2006 | 7,469 | - | 130 | 7,599 |
| Charged (credited) to income for the year | 28,206 | 2,149 | ( 3) | 30,352 |
| At November 1, 2007 | 35,674 | 2,149 | 128 | 37,951 |
| Charged (credited) to income for the year | 8,693 | (2,149) | ( 91) | 6,453 |
| At October 31, 2008 | 44,367 | - | 37 | 44,404 |

Deferred tax liabilities have not been provided for taxes that would be payable on undistributed earnings of certain subsidiaries, to the extent that such earnings are expected to be invested. At the year end such undistributed earnings totalled $1,158 million (2007: $1,040 million).

13 **OTHER ASSETS**

These include tokens in the amount of $18.1 million used in the gaming machines operated at the gaming lounges. The directors are of the view that the carrying value as reflected is equal to the net realisable value and no charge has been made to the profit and loss account.

14 **INVENTORIES**

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $'000 | $'000 | $'000 | $'000 |
| Pin codes | 33,983 | 87,279 | 33,983 | 87,279 |
| Food and beverage | 14,903 | 7,118 | - | - |
| Prize and gift items | - | 1,836 | - | - |
| Stationery and machine parts | - | 867 | - | - |
| | 48,886 | 97,100 | 33,983 | 87,279 |

The cost of inventory recognized as an expense during the year was the Group $998 million (2007: $658 million), the company $907 million (2007: $625 million)

15 **TRADE AND OTHER RECEIVABLES**



| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $'000 | $'000 | $'000 | $'000 |
| Trade receivables | 222,890 | 136,736 | - | - |
| Less: Allowances for irrecoverable debts | ( 45,035) | ( 35,737) | - | - |
| | 177,855 | 100,999 | - | - |
| Other receivables | 68,898 | 77,880 | 24,129 | 11,114 |
| | 246,753 | 178,879 | 24,129 | 11,114 |

(a) Trade receivables include amounts receivable from the agents that support the lottery sales. The average credit period of receivables is 7 days. Trade receivables outstanding for over 30 days are considered past due. Trade receivables outstanding for over 90 days has been provided for in full as historical experience indicate that receivables that are past due beyond this period are generally not recoverable.

(b) Included in trade debtors is a carrying amount of $4.9 million (2007: $3.2 million) which are past due at the reporting date which the Group has not provided for as they have been renegotiated.

15 **TRADE AND OTHER RECEIVABLES (Cont'd)**

| | The Group | |
|---|---|---|
| | 2008 | 2007 |
| | $000 | $000 |
| (c) Ageing of past due but not impaired | | |
| 30 – 60 days | 897 | 890 |
| 60 – 90 days | 775 | 39 |
| Over 90 days | 3,217 | 2,309 |
| | 4,889 | 3,238 |

| | 2008 | 2007 |
|---|---|---|
| | $000 | $000 |
| (d) Movement in allowance for impairment | | |
| Balance at beginning of year | 35,737 | 27,066 |
| Impairment losses recognized | 9,298 | 8,671 |
| Balance at end of year | 45,035 | 35,737 |

In determining the recoverability of a receivable, the company considers any change in the credit quality of the receivable from the date the credit was granted up to the reporting date.



16 **DUE FROM (TO) RELATED PARTIES**

| | The Company | |
|---|---|---|
| | 2008 | 2007 |
| | $000 | $000 |
| Prime Sports (Jamaica) Limited | 435,628 | 261,402 |
| Supreme Ventures Financial Services Limited | 17,768 | 71,976 |
| Jamaica Lottery Company Limited | - | 307,002 |
| Supreme Ventures Lotteries Limited | (371,296) | (234,124) |
| | 82,100 | 406,256 |

17 **CASH AND BANK BALANCES**

*The Group*

Bank balances of the Group include interest bearing accounts of $690.3 million (2007: $551 million), including deposits held in foreign currency of US$303,460 (2007: US$643,000). Interest rate on J$ deposits ranged from 5.0% to 11.5% (2007: 8.23% to 9.05%) and on US$ deposits from 1.0% to 7.04% (2007: 6% to 6.75%).

17 **CASH AND BANK BALANCES (Cont'd)**

*The Company*

Bank balances of the company include interest bearing accounts of $28.3 million (2007: $35.7 million), including deposits held in foreign currency of US$296,477 (2007: US$283,471). Interest rate on the J$ deposits ranges from 7.98% to 9.05% (2007: 8.23% to 9.05%) and US$ deposits from 5.4% to 7.04% (2007: 6% to 6.75%).

18 **SHARE CAPITAL**

| | No of Shares |
|---|---|
| Authorised capital – ordinary stocks at no par value | 3,000,000,000 |
| Issued capital – ordinary stocks | 2,637,254,926 |

| | 2008<br>$'000 | 2007<br>$'000 |
|---|---|---|
| Stated capital | 1,967,183 | 1,967,183 |

19 **REVALUATION RESERVE**

The revaluation reserve represented gain on valuation of freehold land and buildings.

| | 2008<br>$'000 | 2007<br>$'000 |
|---|---|---|
| Balance at November 1 | 23,500 | 11,572 |
| Gain on revaluation during the year | 316,289 | 16,195 |
| Deferred tax adjustment reversed on reorganization and amalgamation | 9,307 | ( 4,267) |
| | 349,096 | 23,500 |
| Transferred to capital reserve on reorganization and amalgamation | (349,096) | - |
| Balance at October 31 | - | 23,500 |

Resulting from reorganization and amalgamation as detailed in Note 1, the revaluation reserve has been transferred to capital reserve (see also Note 20).

## 20 CAPITAL RESERVE

This includes gains arising on the scheme of reorganization and amalgamation of subsidiaries with the Group as detailed in Note 1 to these financial statements. The reserve is stated net of costs, associated with the reorganization and amalgamation and capital distributions during the year.

| | $'000 |
|---|---|
| Revaluation reserves of subsidiaries under liquidation | 349,096 |
| Revenue reserves of subsidiaries under liquidation | 246,288 |
| Associated costs | ( 28,778) |
| | 566,606 |
| Less: Capital distributions (see Note 38) | (420,839) |
| | 145,767 |

## 21 LONG-TERM LIABILITIES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $'000 | $'000 | $'000 | $'000 |
| Telegens Inc. US$ - (2007: US$176,428) (Note 21(a)) | - | 12,558 | - | - |
| GTECH Global Services Corporation Limited US$3,091,184 (2007: US$4,711,197) (Note 21 (b)) | 235,818 | 335,361 | 235,818 | 335,361 |
| First Caribbean International Bank (Jamaica) Limited (Note 21 (c)) | | | | |
| Loan 1 US$781,093 (2007: US$1,040,702) | 58,727 | 74,077 | - | - |
| Loan 2 US$44,782 (2007: US$114,110 ) | 3,367 | 8,123 | - | - |
| Obligation under finance lease US$1,369,393 (2007: US$1,619,564) (Note 21 (d)) | 102,957 | 114,851 | - | - |
| | 400,869 | 544,970 | 235,818 | 335,361 |

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $'000 | $'000 | $'000 | $'000 |
| These loans are repayable as follows: | | | | |
| Within one year | 133,066 | 169,193 | 87,404 | 115,377 |
| In the second to fifth year inclusive | 267,803 | 375,777 | 148,414 | 219,984 |
| | 400,869 | 544,970 | 235,818 | 335,361 |
| Included in the balance sheet as: | | | | |
| Current liabilities | 133,066 | 169,193 | 87,404 | 115,377 |
| Long-term liabilities | 267,803 | 375,777 | 148,414 | 219,984 |

(a) The loan which was denominated in United States dollars is repayable in 60 equal monthly installments by April 2008 and attracted interest at a fixed rate of 7% on the reducing balance basis. The loan was repaid in full during the current year.

21 **LONG-TERM LIABILITIES (Cont'd)**

(b) An agreement was signed between the company and GTECH Global Services Corporation Limited for the acquisition of certain Video Lottery Terminal (VLT) equipment for US$5.136 million to be settled in forty eight (48) equal installments of US$107,000. Using the discounted cash flows techniques with an imputed interest rate of 5.38% per annum, the fair value of the loan at the inception was estimated at US$4.18 million.

| | 2008<br>$'000 | 2007<br>$'000 |
|---|---|---|
| Loan obligation | | |
| Due and unpaid | - | 38,084 |
| Within one year | 97,953 | 91,400 |
| In the second to fifth year inclusive | 155,092 | 236,117 |
| | 253,045 | 365,601 |
| Less: Future finance charges | ( 17,227) | ( 30,240) |
| | 235,818 | 335,361 |

The loan is secured over the VLT equipment purchased under the agreement.

(c) The loans are repayable in monthly installments of US$31,290 and US$6,645 respectively, at interest rate of base lending rate plus 1.5% per annum. Interest rate at year end was 12.5% (2007: 12.5%) per annum.

Other principal features of the loans are:

(i) The loans are repayable by 2011 and 2009 respectively.

(ii) The loans as well as an overdraft facility of $3 million are secured by the following:

(a) First demand guarantee mortgage on the property of Prime Sports (Jamaica) Limited stamped to cover US$1,901,000 and with powers to upstamp.

(b) Debentures over the fixed and floating charge over the assets of Prime Sports (Jamaica) Limited.

(c) Acknowledged assignment of Prime Sports (Jamaica) Limited fire and peril insurance.

(d) Unlimited corporate guarantee of Prime Sports (Jamaica) Limited.

(e) Hypothecation of the shares of Prime Sports (Jamaica) Limited.

(f) Assignment of the rental agreement with Prime Sports (Jamaica) Limited.

(d) Obligation under finance lease

Finance lease relates to the leasing of the building to house the May Pen Gaming Lounge with a lease term of five (5) years. The lease arrangement has an option to purchase the building for a nominal amount at the conclusion of the lease agreement. The directors have opted to purchase the building.

21 **LONG-TERM LIABILITIES (Cont'd)**

(d) Obligation under finance lease (Cont'd)

| | Minimum lease payment | | Present value of minimum lease payment | |
|---|---|---|---|---|
| | 31/10/08 | 31/12/07 | 31/10/08 | 31/12/07 |
| | $'000 | $'000 | $'000 | $'000 |
| Amounts payable under finance lease: | | | | |
| Within one year | 26,721 | 25,202 | 20,061 | 17,741 |
| In the second to fifth year inclusive | 92,419 | 112,373 | 82,896 | 97,110 |
| | 119,140 | 137,575 | 102,957 | 114,851 |
| Less: Future finance charges | ( 16,183) | ( 22,724) | - | - |
| Present value of lease obligation US$1,369,393 (2007: US$1,619,564) | 102,957 | 114,851 | 102,957 | 114,851 |

22 **TRADE AND OTHER PAYABLES**

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $'000 | $'000 | $'000 | $'000 |
| Trade payables | 76,413 | 57,149 | - | - |
| Service contractor fees | 149,530 | 157,283 | 4,601 | 1,114 |
| Contributions payable to CHASE Fund | 54,414 | 51,413 | - | - |
| Contributions payable to Betting, Gaming and Lotteries Commission | 11,975 | 11,583 | - | - |
| Lottery taxes payable | 21,057 | 29,292 | - | - |
| Withholding taxes payable | 87,388 | 88,689 | 86,967 | 86,967 |
| Other payables and accruals | 195,394 | 202,885 | 122,118 | 122,537 |
| | 596,171 | 598,294 | 213,686 | 210,618 |



23 **REVENUE**

Analysis of the revenue is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $'000 | $'000 | $'000 | $'000 |
| Cash Pot | 15,192,272 | 13,642,952 | - | 2,121,271 |
| Lucky 5 | 553,350 | 468,499 | - | 78,641 |
| Dollaz | 273,349 | 251,638 | - | 41,439 |
| Lotto | 1,104,321 | 1,325,831 | - | 186,699 |
| Pick 3 | 1,375,107 | 1,079,279 | - | 170,135 |
| Instant | 100,486 | 141,360 | - | 25,321 |
| Daily Bingo (commenced in May 2008) | 17,892 | - | - | - |
| Prime Time Bingo (commenced in October 2007) | 150,217 | 23,083 | - | - |
| Balance c/f | 18,766,994 | 16,932,642 | - | 2,623,506 |

23 **REVENUE (Con t'd)**

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $'000 | $'000 | $'000 | $'000 |
| Balance b/f | 18,766,994 | 16,932,642 | - | 2,623,506 |
| Unclaimed prizes | 117,685 | 91,101 | - | 8,009 |
| Gaming revenue (net wins) | 978,917 | 803,401 | - | - |
| Hospitality and related revenue | 169,265 | 140,697 | - | - |
| Management fees | - | - | 180,000 | 100,000 |
| Royalties | - | - | 73,298 | - |
| Money Gram remittance service | 68,749 | 57,742 | - | - |
| Foreign exchange trading | 61,961 | 66,918 | - | - |
| Pin codes | 955,893 | 783,994 | 955,894 | 783,994 |
| Others | 84,980 | 70,418 | 67,506 | 36,071 |
| | 21,204,444 | 18,946,913 | 1,276,698 | 3,551,580 |

24 **SEGMENT REPORTING**

The Group is organized into four main business segments.

| | | | |
|---|---|---|---|
| (a) | Lottery | - | Lottery games, operated through the agents net work. |
| (b) | Gaming and hospitality | - | Video Lottery Terminal (VLT) games offered at gaming lounges and room, restaurant and related guest services at these gaming lounges. |
| (c) | Financial services | - | Foreign exchange dealer services and MoneyGram remittance services. |
| (d) | Pin codes and other | - | Sale of pin codes through the agents network, agents service fees, agents reconnection fee s and all other income. |

The Group's operations are located solely in Jamaica.

24 **SEGMENT REPORTING (Cont'd)**

| | 2008 | | | | | |
|---|---|---|---|---|---|---|
| | Lottery $'000 | Gaming and Hospitality $'000 | Financial Services $'000 | Pin Codes and Other $'000 | Eliminations $'0 00 | Group $'000 |
| **External revenue** | 18,884,679 | 1,148,182 | 130,710 | 1,040,873 | - | 21,204,444 |
| Inter-segment revenue | - | 73,119 | - | 229,402 | ( 302,521) | - |
| Total revenue | 18,884,679 | 1,221,301 | 130,710 | 1,270,275 | ( 302,521) | 21,204,444 |
| **Result** | | | | | | |
| Segment result | 1,111,661 | ( 181,564) | 19,481 | 106,123 | | 1,055,701 |
| Interest income | | | | | | 84,554 |
| Finance cost | | | | | | ( 32,422) |
| Profit before taxation | | | | | | 1,107,833 |
| Taxation | | | | | | ( 461,844) |
| Profit for the year | | | | | | 645,989 |
| **Other information** | | | | | | |
| Capital additions | 49,609 | 105,393 | 4,961 | - | - | 159,963 |
| Depreciation and amortization | 42,048 | 132,649 | 724 | - | - | 175,421 |
| **Balance sheet** | | | | | | |
| Assets | | | | | | |
| Segment assets | 3,243,766 | 3,287,214 | 119,763 | - | (2,355,156) | 4,295,587 |
| Consolidated total assets | | | | | | 4,295,587 |
| **Liabilities** | | | | | | |
| Segment liabilities | 1,856,249 | 1,022,602 | 21,621 | - | (1,550,958) | 1,349,514 |
| Consolidated total liabilities | | | | | | 1,349,514 |

24 **SEGMENT REPORTING (Cont'd)**

| | 2007 | | | | | |
|---|---|---|---|---|---|---|
| | Lottery $'000 | Gaming and Hospitality $'000 | Financial Services $'000 | Pin Codes and Other $'000 | Eliminations $'000 | Group $'000 |
| **External revenue** | 17,023,743 | 944,098 | 124,660 | 854,412 | - | 18,946,913 |
| Inter-segment revenue | - | 18,661 | - | 232,700 | ( 251,361) | - |
| Total revenue | 17,023,743 | 962,759 | 124,660 | 1,087,112 | ( 251,361) | 18,946,913 |
| **Result** | | | | | | |
| Segment result | 449,052 | 36,867 | 24,993 | 93,841 | - | 604,753 |
| Interest income | | | | | | 46,956 |
| Finance cost | | | | | | ( 20,478) |
| Profit before taxation | | | | | | 631,231 |
| Taxation | | | | | | ( 225,831) |
| Profit for the year | | | | | | 405,400 |
| **Other information** | | | | | | |
| Capital additions | 19,790 | 610,121 | 426 | - | - | 630,337 |
| Depreciation and amortization | 38,285 | 82,609 | 733 | - | - | 121,627 |
| **Balance sheet** | | | | | | |
| Assets | | | | | | |
| Segment assets | 2,645,468 | 3,071,751 | 108,926 | - | ( 1,940,941) | 3,885,204 |
| Consolidated total assets | | | | | | 3,885,204 |
| **Liabilities** | | | | | | |
| Segment liabilities | 1,178,878 | 1,038,669 | 46,284 | - | ( 802,732) | 1,461,099 |
| Consolidated total liabilities | | | | | | 1,461,099 |

25 **DIRECT EXPENSES**

(a) Analysis of direct expenses is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $000 | $000 | $0 00 | $000 |
| Lottery prizes | 12,774,672 | 12,246,275 | - | 1,954,069 |
| Service contractor fees | 1,130,837 | 1,222,234 | - | 239,657 |
| Agents commissions | 929,444 | 836,031 | - | 130,495 |
| Good cause fees | 887,246 | 691,272 | - | 98,547 |
| Lottery tax | 1,132,268 | 914,929 | - | 120,455 |
| Contributions to BGLC | 214,084 | 190,680 | - | 26,248 |
| Gaming lounge charges | 71,974 | 33,267 | - | - |
| Direct expense hospitality and related services | 107,374 | 64,058 | - | - |
| Franchise fee | - | - | - | 4,452 |
| Pin codes | 853,749 | 694,056 | 853,749 | 694,056 |
| Commissions—pin codes (cost) | 78,352 | 66,515 | 78,351 | 66,515 |
| Commissions—Money Gram (cost) | 25,432 | 22,789 | - | - |
| Others | 1,682 | 4,202 | - | - |
| | 18,207,114 | 16,986,308 | 932,100 | 3,334,494 |



(b) Lottery prizes

(i) Cash Pot - All prizes are fixed. The prize won for correctly matching the winning number is $26 for each $1 wagered.

(ii) Lucky 5 - Prizes for this game is based on the predetermined prize structure. The prize payout is at least 50.93% of the total wagers of each game.

(iii) Dollaz! - Prizes for this game are fixed based on each $10 per play per spot. The prize paid will depend on how much of the winning numbers are correctly matched.

(iv) Lotto/ Prime Time and Daily Bingo - Prizes are based on the actual winning combination of numbers for each draw with the amount allocated to prizes being a predetermined percentage of actual sales.

(v) Pick 3 - Prizes are computed based on the actual winning combination of numbers for each draw.

(vi) Instant - Prizes are accrued as an estimate based on a predetermined prize structure for each game.

(c) Service contractor fees

GTECH Corporation (GTECH) has been contracted for the provision of technical and marketing services for lottery gaming activities. GTECH whose primary business is providing online lottery systems, terminals, networks and services to the lottery industry provide these services to operate the lotteries. GTECH receives a service fee calculated using an agreed fee structure based on weekly gross sales.

25 **DIRECT EXPENSES (Cont'd)**

(c) Service contractor fees (Cont'd)

GTECH has also been contracted to provide electronic gaming services for VLT gaming activities at a fee calculated using an agreed percentage of meter net wins after taxes. However, this contract was terminated as of May 31, 2007.

(d) Agents' commission

The agents who sell on-line tickets for the lottery games receive a commission on ticket sales.

(e) Good cause fees

Under the terms of the lottery operations licence (Note 1), contributions are made to the Culture, Health, Arts, Sports and Education (CHASE) Fund computed as follows:

| | | |
|---|---|---|
| Cash Pot | - | 15% of net ticket sales after prizes |
| Lucky 5 | - | 7.5% of gross ticket sales |
| Dollaz! | - | 7.5% of gross ticket sales |
| Lotto, Instant Ticket and Prime Time Bingo | - | 7.5% of gross ticket sales |
| Pick 3 and Daily Bingo | - | 4.17% of gross ticket sales |

In addition to the above contributions, 50% of unclaimed prizes are also paid over to the same fund.

(f) Lottery tax

In accordance with Section 13 of the Betting, Gaming and Lotteries (Amendment) Act 2000, 17% of weekly net revenues is paid as lottery tax to the Government of Jamaica for Lucky 5, Cash Pot, Daily Bingo, Pick 3 and 23% of weekly gross revenues is paid for Dollaz!. The tax for lotto is computed as 23% of lotto sales net of prizes. In relation to VLT gaming activities, a gross profit tax is paid to the Government of Jamaica calculated at 7.5% of meter net wins on a monthly basis.

(g) Contributions to Betting, Gaming and Lotteries Commission

In accordance with conditions attached to the licence granted by BGLC 1% of gross ticket sales are paid to BGLC as contribution. Also in accordance with amended regulations 2.5% of meter net wins is paid to BGLC in relations to VLT gaming activities.

(h) Gaming lounge charges

These charges include payments under contractual arrangements with hotels that operate gaming lounges.

(i) Pin codes

This represents the amounts paid to mobile service providers for the purchase of pin codes, adjusted for inventory movements.

(j) Commission - pin codes cost

The agents of the company who sell on-line pin codes and phone cards receive a commission on sales.

## 26 OPERATING EXPENSES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $'000 | $'000 | $'000 | $'000 |
| Staff costs (Note 27) | 585,024 | 432,266 | 99,757 | 113,421 |
| Rental and utilities | 175,460 | 105,466 | 1,031 | 7,816 |
| Marketing and business development | 330,264 | 187,731 | 17,812 | 23,363 |
| Professional fees | 69,399 | 49,866 | 19,443 | 29,447 |
| Draw expenses | 94,051 | 67,443 | - | 8,502 |
| Security | 66,833 | 42,810 | 2,679 | 5,284 |
| GCT irrecoverable | 61,912 | 61,097 | - | 401 |
| Licences and other fees | 16,318 | 13,538 | - | 2,000 |
| Depreciation and amortization charges | 175,421 | 121,627 | 57,909 | 27,609 |
| Bank charges | 24,370 | 22,380 | 334 | 2,190 |
| Others | 342,577 | 227,013 | 33,813 | 23,214 |
| | 1,941,629 | 1,331,237 | 232,778 | 243,247 |

## 27 STAFF COSTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $'000 | $'000 | $'000 | $'000 |
| Salaries and other employee benefits | 537,185 | 394,192 | 92,486 | 104,626 |
| Statutory contributions | 43,611 | 34,016 | 6,984 | 7,726 |
| Pension contributions | 4,228 | 4,058 | 287 | 1,069 |
| | 585,024 | 432,266 | 99,757 | 113,421 |



## 28 OTHER GAINS AND LOSSES

Other gains and losses in 2007 represent the write-off of certain amounts included in other receivables and prepayments.

## 29 FINANCE COSTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $'000 | $'000 | $'000 | $'000 |
| Interest on bank overdraft and long-term loans | 32,422 | 20,478 | 14,368 | 6,911 |
| Interest on obligations under finance lease | 13,107 | 5,389 | - | - |
| Total interest expense | 45,529 | 25,867 | 14,368 | 6,911 |
| Less: Amount included in the cost of qualifying assets | (13,107) | ( 5,389) | - | - |
| | 32,422 | 20,478 | 14,368 | 6,911 |

30 **PROFIT BEFORE TAXATION**

The profit before taxation is stated after taking account of the following items:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $'000 | $'000 | $'000 | $'000 |
| Income | | | | |
| Interest | 84,554 | 46,956 | 67,704 | 28,636 |
| Expenses | | | | |
| Directors emoluments: | | | | |
| Fees | 14,214 | 3,403 | 14,218 | 3,403 |
| Management remuneration | 71,223 | 74,915 | 71,223 | 74,915 |
| Audit fees | 13,600 | 11,605 | 4,200 | 2,350 |
| Depreciation of property and equipment | 173,601 | 120,143 | 56,772 | 26,518 |
| Amortisation of intangible assets | 1,820 | 1,484 | 1,137 | 1,091 |
| Finance costs - interest on long-term loans | 32,422 | 20,478 | 14,368 | 6,911 |

31 **TRANSACTIONS WITH RELATED PARTIES**

*Compensation of key management personnel*

The remuneration of directors and other members of the key management during the year was as follows:

| | The Group and the Company | |
|---|---|---|
| | 2008 | 2007 |
| | $'000 | $'000 |
| Short-term benefits | 71,223 | 74,915 |
| Post employment benefits | 242 | 928 |
| | 71,465 | 75,843 |
| Professional fees paid to directors | 25,745 | 9,658 |



32 **TAXATION**

(a) The total charge for the year includes:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $'000 | $'000 | $'000 | $'000 |
| Current tax charge: | | | | |
| Income tax at 33.33% of taxable profits | 424,026 | 237,342 | 33,115 | - |
| Deferred tax adjustment (Note 12) | 37,818 | ( 11,511 ) | 29,584 | 2,129 |
| | 461,844 | 225,831 | 62,699 | 2,129 |

32 **TAXATION (Cont'd)**

(b) The charge is reconciled to the profit as per the profit and loss account as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $'000 | $'000 | $'000 | $'000 |
| Profit before taxation | 1,107,833 | 631,231 | 165,156 | (29,051) |
| Tax at the domestic income tax rate of 33.33% | 369,278 | 210,410 | 55,052 | ( 9,684) |
| Tax effect of expenses disallowed for tax purposes | 18,631 | 20,850 | 7,710 | 10,688 |
| Net deferred tax asset not recognized (see (d) below) | 71,986 | - | - | - |
| Tax effect on non taxable income | ( 2,014) | ( 7,151) | - | ( 313) |
| Other | 3,963 | 1,722 | ( 63) | 1,438 |
| | 461,844 | 225,831 | 62,699 | 2,129 |

(c) Tax losses of sub-subsidiaries amounting to approximately $477 million (subject to agreement with Commissioner, Taxpayer Audit and Assessment Department) are available for set-off against future taxable profits of the subsidiaries.

(d) Net deferred tax asset not recognized represents the effect of the curtailment of deferred tax assets of a subsidiary currently operating at a loss.

(e) A subsidiary of the Group, Coral Cliff Entertainment Limited which had received approval under the Hotel (Incentive) Act 1968, was amalgamated under the scheme of arrangement disclosed in Note 1 into another wholly-owned subsidiary. As a result the benefits of tax relief has been lost to the Group.



33 **NET PROFIT**

Dealt with in the financial statements of:

| | 2008 | 2007 |
|---|---|---|
| | $'000 | $'000 |
| The company | 102,457 | ( 31,180) |
| The subsidiaries | 543,532 | 436,580 |
| | 645,989 | 405,400 |

34 **RETAINED EARNINGS**

This is reflected in the financial statements of:

| | 2008 | 2007 |
|---|---|---|
| | $'000 | $'000 |
| The company | ( 2,025) | (104,482) |
| The subsidiaries | 835,148 | 537,904 |
| | 833,123 | 433,422 |

35 **EARNINGS PER STOCK**

Basic earnings per stock unit is calculated by dividing the net profit attributable to shareholders, by the weighted average number of ordinary stock units in issue during the year.

| | 2008 | 2007 |
|---|---|---|
| Net profit attributable to shareholders ($'000) | 645,989 | 405,400 |
| Weighted average number of ordinary stock units in issue ('000) | 2,637,254 | 2,637,254 |
| Basic earnings per stock unit | 0.24 Cents | 0.15 Cents |

Diluted earnings per stock unit is the same as basic earnings per stock unit as there were no dilutive potential ordinary stocks.

36 **RETIREMENT BENEFIT PLAN**

The Group operates a defined contribution retirement benefit plan for all qualifying employees. The assets of the scheme are held separately from those of the group in funds under the control of trustees and administered by an insurance company. Basic contributions are 5% of taxable earnings, made by the employees and 5% by the employer. The employees may make additional contributions of 5% of their taxable earnings to provide for additional pension benefits.

The Group's and the company's contributions are disclosed in Note 27 on staff costs.

37 **OPERATING LEASE ARRANGEMENTS**

The Group has entered into agreements for the lease of office spaces and apartments. The annual rentals are payable in monthly installments.

Minimum lease rental commitments are as follows:

| | The Group |
|---|---|
| | $'000 |
| Within 1 year | 42,113 |
| Year 2 and 3 | 44,090 |

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $'000 | $'000 | $'000 | $'000 |
| Minimum lease payment under operating lease recognized as an expense in the year | 37,108 | 29,681 | - | 4,514 |

38 **CAPITAL DISTRIBUTIONS**

The company paid dividends twice during the year by way of capital distributions in July and October 2008 at 6 cents and 9 cents respectively to all shareholders on record at June 30, 2008.

Total shares in issue 2,637,454,926

| | $'000 |
|---|---|
| Dividends declared | 420,838 |
| Transfer tax paid | 25,250 |
| Net dividends paid | 395,588 |

39 **CONTINGENCIES AND COMMITMENTS**

(a) Contingencies – litigations

(i) Subsequent to balance sheet date, on December 15, 2008 a civil suit has been filed by Epsilon Global Equities Limited (Epsilon) citing defendants that include the founding shareholders of the company and the company Supreme Ventures Limited. The suit relates to agreements with Epsilon for the forward sale of shares of the company by the founding shareholders signed prior to the private placement in July 2005 and the initial public offering in January 2006. At the time of the private placement in July 2005 the company had certain outstanding borrowing obligations to entities related to Epsilon all of which were settled by October 31, 2005 out of the funds raised through the private placement.

The company is in the process of seeking legal advice on the matter and based on the preliminary assessments by the Attorney representing the company, the directors are of the view that there will be no financial implications to the company arising from this case.

(ii) Claims estimated to total approximately $1.5 million have been made against the subsidiary Jamaica Lottery Company Limited before the amalgamation. The outcome of these claims is currently indeterminable, therefore no provision has been made in these financial statements.

(b) Contingencies - Guarantee

Pursuant to the Articles of Incorporation of the company and a resolution of the directors, the company has issued a duly executed and stamped deed of debenture and a duly executed guarantee to Betting, Gaming and Lotteries Commission (BGLC). The company and BGLC have agreed that, within the secured debenture and the guarantee constitute compliance by the subsidiary, Supreme Ventures Lotteries Limited (SVLL), with the requirements of the licence granted by BGLC that, the equity capitalization of SVLL be not less than $500 million, and SVLL will accordingly be treated as having $500 million of shareholders' equity (issued capital of SVLL is $1.0 million) for the purpose of the condition of the BGLC licence that refer to shareholders' equity (see also Note 1). Accordingly, BGLC will hold the company responsible and liable for any breaches of the licence by the subsidiary, SVLL.

(c) Commitment - Licence fees to Betting, Gaming and Lotteries Commission (BGLC)

In accordance with conditions attached to the licences granted by BGLC, an annual licence fee of $16.0 million falls due for payment each year.

39 **CONTINGENCIES AND COMMITMENTS (cont'd)**

(d) Commitments - capital

Capital commitments of the subsidiary, Prime Sports (Jamaica) Limited in connection with improvements being carried out at the Montego Bay location at October 31, 2008 amounted to $3.6 million (2007: $48.9 million in connection with the setting up of the gaming lounge in May Pen).

(e) Commitments - other

Commitments in respect of sponsorship agreements are as follows:

| Year | $'000 |
|---|---|
| 2009 | 45,400 |

40 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT**

40.1 Significant accounting policies

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial assets, financial liabilities and equity instruments are disclosed in Note 3 to the financial statements.

40.2 Categories of financial instruments

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $'000 | $'000 | $'000 | $'000 |
| **Financial assets** | | | | |
| Loans and other receivables (including cash and cash equivalents) | 1,458,523 | 1,274,278 | 745,939 | 768,390 |
| Available-for-sale investments | 16,939 | 16,939 | 16,939 | 16,939 |
| | 1,475,462 | 1,291,217 | 762,878 | 785,329 |
| **Financial liabilities** | | | | |
| Other financial liabilities at amortized cost | 1,105,284 | 1,288,769 | 449,504 | 545,979 |

40.3 Financial risk management objectives

The Group's activities expose it to a variety of financial risk and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the business and the operational risks are an inevitable consequence of being in business. The group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up to date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

40 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)**

40.3 Financial risk management objectives (Cont'd)

The Group's activities result in principal exposure to credit, liquidity, market and operational risks. An enterprise-wide risk management approach is adopted which involves employees at all levels. This framework is supported by sound risk management practices which include the establishment of enterprise-wide policies, procedures and limits, monitoring and measurement of exposure against established limits, ongoing realignment of business strategies and activities and the reporting of significant exposures to senior management and the Board of Directors.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board's risk management mandate is principally carried out through the Audit Committee.

Audit Committee

The Audit Committee has oversight for the integrity of the financial statements and reviews the adequacy and effectiveness of internal controls and risk management procedures. The Committee also ensures compliance with internal, legal and regulatory policies, identifying, monitoring, measuring and reporting significant risk exposure and making recommendations in relation to management of risk.

This Board Committee also has direct responsibility for the management of balance sheet risk which includes liquidity, interest rates and foreign currency risks.

40.4 Credit risk management

40.4.1 Credit risk

The Group is exposed to credit risk, which is the risk that its customers or counterparties may accumulate and could cause a financial loss for the group by failure to discharge their contractual obligations. Credit risk is an important risk for the Group's business and management therefore carefully monitors its exposure to credit risk. Credit exposure for the Group arises mainly in lottery sales activities. The Group structures the level of credit risk it undertakes by maintaining a strict collection process. Lottery sale Agents are required to make payment within a maximum of seven (7) business days after sales made on behalf of the Licensed Company.

40.4.2 Credit review process

The Group's credit risk is managed through a framework which incorporates the following:

Trade Receivables

i. The Group establishes policies and procedures which govern standards for granting credit and the process of continuous monitoring and measurement in relation to credit quality through industry delinquency and debt recovery management.

ii. Trade Receivables are carefully monitored and managed by the Finance Department and in collaboration with the Field Area Management team, who has responsibility for liaising with the Lottery Agents on behalf of the licensed company.

40 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)

40.4.3 Impairment

The Finance Department - conducts monthly and quarterly assessment of the Trade Receivable balances to determine whether there is a requirement for provision due to impairment.

40.5 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities.

40.5.1 Management of liquidity risk

The Board of Directors approves the group's liquidity and funding management policies and established limits to control risk.

The Group's Finance Department has direct responsibility for the management of the day-to-day liquidity. The Audit Committee provides senior management oversight of the group's liquidity risk exposure, within the policy and limit frameworks established by the Board.

The management of liquidity risk is carried out through various methods which include:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow within the local and international markets.
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements.
- Maintenance of liquidity and funding contingency plans.

40.5.2 Liquidity and interest rate tables

The following table details the Group's and the company's contractual maturity for its non-derivative financial assets and financial liabilities. The tables have been drawn up based on undiscounted contractual maturities of financial assets including interest that will be earned on those except where the Group and the company anticipates that the cash flows will occur in a different period, and in the case of financial liabilities, based on the earliest date on which the Group and the company can be required to pay.

40 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)

40.5 Liquidity risk (Cont'd)

40.5.2 Liquidity and interest rate tables (Cont'd)

| | The Group | | | | | |
|---|---|---|---|---|---|---|
| | Weighted average effective interest rate % | Within 3 Months $'000 | 3 months to 1 year $'000 | 1 to 5 Years $'000 | Over 5 years $'000 | Total $'000 |
| 2008 | | | | | | |
| Financial assets | | | | | | |
| Non-interest bearing | | 427,550 | - | 16,939 | - | 444,489 |
| Variable interest rate instruments | 5.64 | 4,526 | 13,578 | 463,407 | - | 481,511 |
| Fixed interest rate instruments | 8.10 | 47,506 | 723,524 | - | - | 771,030 |
| | | 479,582 | 737,102 | 480,346 | - | 1,697,030 |
| Financial liabilities | | | | | | |
| Non-interest bearing | | 703,520 | - | - | - | 703,520 |
| Interest bearing loan fixed | 5.37 | 31,168 | 93,505 | 247,512 | - | 372,185 |
| Interest bearing loans variable rate | 12.50 | 8,557 | 23,172 | 68,342 | - | 100,071 |
| | | 743,245 | 116,677 | 315,854 | - | 1,175,776 |
| 2007 | | | | | | |
| Financial assets | | | | | | |
| Non-interest bearing | | 425,008 | - | 16,939 | - | 441,947 |
| Variable interest rate instruments | 5.10 | 3,572 | 10,914 | 306,920 | - | 321,406 |
| Fixed interest rate instruments | 10.94 | 55,418 | 571,717 | - | - | 627,135 |
| | | 483,998 | 582,631 | 323,859 | - | 1,390,488 |
| Financial liabilities | | | | | | |
| Non-interest bearing | | 743,799 | - | - | - | 743,799 |
| Interest bearing loan | 5.96 | 73,293 | 92,933 | 349,623 | - | 515,849 |
| Interest bearing loans variable rate | 12.50 | 7,280 | 21,540 | 95,695 | - | 124,515 |
| | | 824,372 | 114,473 | 445,318 | - | 1,384,163 |

40 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)

40.5 Liquidity risk (Cont'd)

40.5.2 Liquidity and interest rate tables (Cont'd)

| | The Company | | | | | |
|---|---|---|---|---|---|---|
| | Weighted average effective interest rate | 1 to 3 Months | 3 months to 1 year | 1 to 5 Years | Over 5 years | Total |
| | % | $'000 | $'000 | $'000 | $'000 | $'000 |
| 2008 | | | | | | |
| Financial assets | | | | | | |
| Non-interest bearing | | 72,246 | - | 99,039 | - | 171,285 |
| Variable interest rate instruments | 14.35 | 20,024 | 60,572 | 321,669 | 1,664,960 | 2,067,225 |
| Fixed interest rate instruments | 6.36 | 27,048 | 6,308 | - | - | 33,356 |
| | | 119,318 | 66,880 | 420,708 | 1,664,960 | 2,271,866 |
| Financial liabilities | | | | | | |
| Non-interest bearing | | 213,686 | - | - | - | 213,686 |
| Interest bearing loan fixed | 5.38 | 24,488 | 73,465 | 155,092 | - | 253,045 |
| | | 238,174 | 73,465 | 155,092 | - | 466,731 |
| 2007 | | | | | | |
| Financial assets | | | | | | |
| Non-interest bearing | | 40,185 | - | 423,195 | - | 463,380 |
| Variable interest rate instruments | 5.10 | 3,572 | 10,914 | 306,920 | | 321,406 |
| Fixed interest rate instruments | 6.95 | 38,458 | - | - | - | 38,458 |
| | | 82,215 | 10,914 | 730,115 | - | 823,244 |
| Financial liabilities | | | | | | |
| Non-interest bearing | | 210,618 | - | - | - | 210,618 |
| Interest bearing loan variable rate | 5.38 | 60,934 | 68,550 | 236,117 | - | 365,601 |
| | | 271,552 | 68,550 | 236,117 | - | 576,219 |

40 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)**

40.6 Market risk

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates.

The Board and management have responsibility for the monitoring of market risk exposures by way of measurements through sensitivity analysis. Market information and additional analysis are also used to manage risk exposure and mitigate the limitation of sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures risk.

40.6.1 Foreign currency risk

Foreign currency risk is the risk of loss arising from adverse movements in foreign exchange rates.

The Group is exposed to foreign currency risk as a result of transactions that are denominated in a currency other than the Jamaican dollar. The main currencies giving rise to the exposure is the United States Dollar, Canadian Dollar, the British Pound, the Cayman dollar and the Euro. The Group manages foreign currency risk through the establishment of limits for net open positions and matching foreign assets and liabilities as far as possible.

Foreign currency risk management

The Group manages its foreign currency risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency position. The Group further manages this risk by holding foreign currency balances.

The following table summarizes the Group's exposure to foreign currency exchange rate risk:

40 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Contd)**

40.6 Market risk (Cont'd)

40.6.1 Foreign currency risk (Cont'd)

The Group

| | 2008 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | USD | | CDN | | GBP | | EUR | | KYD | |
| | | J$ | | J$ | | J$ | | J$ | | J$ |
| | US$ | Equiv. | Cdn$ | Equiv. | | Equiv. | | Equiv. | Kyd$ | Equiv. |
| | '000 | '000 | '000 | '000 | '000 | '000 | '000 | '000 | '000 | '000 |
| Total assets | 5,181 | 393,252 | 13 | 785 | 37 | 4,460 | 0.07 | 9 | 0.18 | 16 |
| Total liabilities | (5,552) | (421,147) | - | - | - | - | - | - | - | - |
| Net exposure | ( 371) | ( 27,859) | 13 | 785 | 37 | 4,460 | 0.07 | 9 | 0.18 | 16 |

| | 2007 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | USD | | CDN | | GBP | | EUR | | KYD | |
| | | J$ | | J$ | | J$ | | J$ | | J$ |
| | US$ | Equiv. | Cdn$ | Equiv. | | Equiv. | | Equiv. | Kyd$ | Equiv. |
| | '000 | '000 | '000 | '000 | '000 | '000 | '000 | '000 | '000 | '000 |
| Total assets | 5,038 | 357,548 | 9 | 680 | 15 | 2,255 | 0.02 | 20 | 1 | 87 |
| Total liabilities | (8,126) | (578,494) | - | - | - | - | - | - | - | - |
| Net exposure | (3,088) | (220,946) | 9 | 680 | 15 | 2,255 | 0.02 | 20 | 1 | 87 |

40 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)

40.6 Market risk (Cont'd)

40.6.1 Foreign currency risk (Cont'd)

| | The Company | | | |
|---|---|---|---|---|
| | 2008 | | 2007 | |
| | USD | | USD | |
| | US$ '000 | J$ Equiv. '000 | US$ '000 | J$ Equiv. '000 |
| Total assets | 347 | 26,359 | 4,308 | 305,913 |
| Total liabilities | (3,317) | (253,045) | (5,136) | (365,601) |
| Net exposure | (2,970) | (226,686) | ( 828) | ( 59,688) |

40.6.2 Foreign currency sensitivity

The following table indicates the currencies to which the Group had significant exposure on its monetary assets and liabilities and the effect on net profit arising from changes in exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. 5% is the sensitivity rate used when reporting foreign currency risk internally to the Board and the relevant committees of the Board and represents management's assessment of the reasonably possible change in foreign exchange rates. Sensitivity was primarily as a result of foreign exchange gains and losses on translation of long-term receivables, long-term liabilities and cash and bank balances. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $'000 | $'000 | $'000 | $'000 |
| **Currency:** | | | | |
| USD | (1,393) | (11,047) | (11,334) | (2,984) |
| CDN | 39 | 34 | - | - |
| GBP | 223 | 113 | - | - |
| EURO | 1 | 1 | - | - |
| KYD | 1 | 4 | - | - |
| | (1,129) | (10,895) | (11,334) | (2,984) |

40 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)

40.6 Market risk (Cont'd)

40.6.3 Interest rate risk

Interest rate risk is the risk of loss due to adverse changes in interest rates. The risk of loss may arise from a decline in the market value of financial assets due to interest rate increases. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Mismatch of positions between assets and liabilities in periods of rising or declining interest rates may also result in loss of earnings. Management sets limits on the level of mismatch of interest rate repricing that may be undertaken. This is monitored on a periodic basis.

Management of interest rate risk

Interest rate risk exposure is measured using sensitivity analysis. Interest rate risk is managed by utilizing derivative instruments where necessary and maintaining an appropriate mix of variable and fixed rate instruments.

The Group's and the company's exposure to interest rates on financial asset and financial liabilities are detailed in liquidity risk management (Note 40.5.2).

40.6.4 Interest rate sensitivity risk

The following table indicates the sensitivity to a reasonable possible change in interest rates of 2%, with all other variables held constant, on the Group's and the company's net profit.

The sensitivity of interest income is the gross effect of the assumed changes in interest rates on the floating rate financial assets and liabilities. The correlation of a number of variables will have an impact on market risk. It should be noted that movements in these variables are non-linear and are assessed individually.

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $'000 | $'000 | $'000 | $'000 |
| Effect on net profit | 5,158 | 4,037 | 11,173 | 5,681 |

40.7 Capital management

The capital structure of the Group consist of equity attributable to the shareholders of the parent company comprising issued capital, reserve, retained earnings and cash and bank balances.

The Group's objectives when managing its capital structure, which is a broader concept than the 'equity' on the face of the balance sheet, are:

(i) To comply with the capital requirements set by the regulators;
(ii) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and
(iii) To maintain a strong capital base to support the development of its business.

There were no changes to the Group's approach to capital management during the year.

40 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)**

40.8 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognized stock exchange) exists, is the best evidence of the fair value of a financial instrument. Market prices are not available for some of the financial assets and liabilities of the Group. Fair values in the financial statements have therefore been estimated using present values or other estimation and valuation techniques based on market conditions existing at balance sheet date. Generally, considerable judgment is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that the Group would realize in a current market exchange.

The following methods and assumptions have been used:

(a) The face values, less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair value. These financial assets and liabilities include cash and bank balances, trade receivable and payables.

(b) The carrying value of long-term receivables approximate their fair values as these receivables are carried at amortized cost and the interest rates are reflective of current market rates for similar transactions.

(c) Available-for-sale investments which include unquoted shares are stated at cost as stated in Note 10.

(d) The carrying value of long-term liabilities approximate the fair values as these loans are carried at amortized cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar loans.



41 **AMALGAMATION OF SUBSIDIARY**

The following net assets were transferred to the company on amalgamation of subsidiary as detailed in Note 1 (a).

| | $'000 |
|---|---|
| Property, plant and equipment (NBV) | 126,383 |
| Goodwill | 189,953 |
| Investment in subsidiary | 21,472 |
| Trade receivable | 14,774 |
| Long-term liability | ( 2,099) |
| Accounts payable | ( 11,910) |
| Related party balances | (337,509) |
| Net cash and bank balances transferred on amalgamation | 1,064 |

# Pictorial Highlights - Agent Picnic

SVL's Promotion hostess welcomes an Agent to the Picnic held at Caymanas Park in-field

Agents hanging out with Mr. Cash Pot Christopher Daley

SVL's Delma Maxwell of the Prize Payment Centre raps with some Agents

Agents and their guests enjoying Oscar B's performance

Playing dominoes during the Picnic

Ann-Dawn Young-Sang and Debbie Williams of GTECH with an Agent

Paul Hoo (centre) gets in a good word with 2 Agents

The buffet line looks good

# Corporate Data

As at October 31, 2008

**REGISTERED OFFICE:**
**Supreme Ventures Limited**
4th Floor
Sagicor Centre
28-48 Barbados Avenue
Kingston 5
Jamaica WI
Tel: (876) 754-6526
Fax: (876) 754-2143

**AUDITORS:**
Deloitte & Touche
7 West Avenue
Kingston 4
Jamaica WI

PriceWaterhouseCoopers
ScotiaCentre
Duke & Port Royal Streets
Kingston
Jamaica WI

**BANKERS:**
National Commercial Bank
Jamaica Limited
Private Banking
32 Trafalgar Road
Kingston 5
Jamaica WI

Bank of Nova Scotia
Jamaica Limited
2 Knutsford Boulevard
Kingston 5
Jamaica WI

RBTT Bank Jamaica Limited
17 Dominica Drive
Kingston 5
Jamaica WI

FirstCaribbean International Bank
Knutsford Boulevard
Kingston 5
Jamaica WI

**ATTORNEYS:**
John G. Graham & Company
7 Belmont Road
Kingston 5
Jamaica WI

Rattray, Patterson, Rattray
15 Caledonia Avenue
Kingston 5
Jamaica WI

Hart Muirhead Fatta
2 St. Lucia Avenue
Kingston 5
Jamaica WI

Livingston Alexander Levy
72 Harbour Street
Kingston
Jamaica WI

**REGISTRAR & TRANSFER AGENT (Jamaica):**
Jamaica Central Securities Depository Limited
40 Harbour Street
Kingston
Jamaica WI

**REGISTRAR & TRANSFER AGENT (Trinidad & Tobago):**
Trinidad & Tobago Central Depository Limited
10th Floor, Nicholas Tower
63 65 Independence Square
Port of Spain
Trinidad WI

**REGIONAL RETAIL CENTRES**

**NEW KINGSTON**
1st Floor
Sagicor Centre
28-48 Barbados Avenue
Kingston 5
Jamaica WI
Tel: (876) 754-6526
Fax: (876) 906-0188

**HALF WAY TREE**
28 Half-Way-Tree Road
Kingston 5
Jamaica WI
Tel: (876) 920-3498
Tel: (876) 920-3500
Fax: (876) 960-9417

**SPANISH TOWN**
37 Young Street
Spanish Town
St. Catherine
Jamaica WI
Tel: (876) 749-3690
Tel: (876) 749-3694
Fax: (876) 749-3691

**MONTEGO BAY**
Shop #F203
Baywest Shopping Centre
Montego Bay
St. James
Jamaica WI
Tel: (876) 979-0366
Tel: (876) 979-0370
Fax: (876) 952-9046

**SAVANNA -LA-MAR**
Lyons Plaza
74 Great George Street
Savanna-La-Mar
Westmoreland
Jamaica WI
Tel: (876) 918-0232
Fax: (876) 918-0233

**SUPREME VENTURES LOTTERIES LIMITED**
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Jamaica WI
Tel : (876) 754-6526
Fax: (876) 754-2143

**SUPREME VENTURES FINANCIAL SERVICES LIMITED**
4th Floor, Sagicor Centre
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Jamaica WI
Tel : (876) 754-6526
Fax: (876) 960-4397

**PRIME SPORTS JAMAICA LIMITED**
Shop 12c, Loshusan Mall (Barbican Centre)
29 East Kings House Road
Kingston 6
Jamaica WI
Tel : (876) 978-5274
Tel : (876) 927-7046
Fax: (876) 927-7368

**BIG A TRACK (2003) LIMITED**
4th Floor, Sagicor Centre
28 48 Barbados Avenue
Kingston 5
Jamaica, WI
Tel : (876) 754-6526
Fax: (876) 754-2143

**JAMAICA LOTTERY COMPANY HOLDINGS LIMITED**
4th Floor, Sagicor Centre
28-48 Barbados Avenue
Kingston 5
Jamaica WI
Tel : (876) 754-6526
Fax: (876) 754-2143

**BINGO INVESTMENTS LIMITED**
4th Floor, Sagicor Centre
28-48 Barbados Avenue
Kingston 5
Jamaica WI
Tel : (876) 754-6526
Fax: (876) 754-2143

**SUPREME VENTURES VL HOLDINGS LIMITED (ST. LUCIA)**
Pointe Seraphine
P.O. Box 195
St. Lucia

# Ten Largest Shareholders

| NAME OF SHAREHOLDER | UNITS |
|---|---|
| Falcon Global Capital S.A. | 578,190,418 |
| Senoda Limited | 451,953,813 |
| Paul Hoo* | 281,476,640 |
| Ian Levy | 250,644,452 |
| SGC Worldwide Limited | 196,659,974 |
| Janette Stewart* | 179,622,545 |
| Intralot St. Lucia Limited | 105,489,797 |
| Stephen Castagne | 87,100,000 |
| NCB Capital Markets Limited -Account #2231 | 61,222,125 |
| Sunfisher Corporation | 23,264,550 |

* Includes shares held by joint holders

# Directors' Shareholdings

| NAME OF SHAREHOLDER | UNITS |
|---|---|
| STEPHEN CASTAGNE | 87,100,000 |
| BRIAN GEORGE | 12,820,041 |
| JOHN GRAHAM* | 3,724,602 |
| PAUL HOO* | 281,476,640 |
| IAN LEVY | 250,644,452 |
| CURTIS MARTIN* | 2,074,867 |
| DAVID McBEAN | 2,574,867 |
| JANETTE STEWART* | 179,622,545 |
| BARRINGTON CHISHOLM | 994,871 |



* Includes shares held by joint holders

SUPREME VENTURES Limited

# Management Shareholdings

| NAME OF SHAREHOLDER | UNITS |
|---|---|
| BRIAN GEORGE | 12,820,041 |
| JAMES MORRISON | NIL |
| SONIA DAVIDSON* | 31,200 |
| WAYNE BOODASINGH | NIL |
| LORNA GOODEN* | 16,600 |
| JANETTE CONIE | 10,000 |
| MAY LAWRENCE-EVANS* | 3,000 |
| MICHAEL SMITH | 2,000 |
| ANDREW J. BROMLEY | 4,000 |
| NIGEL WARMINGTON | NIL |
| BERNARD MORRISON | NIL |
| LANCE THOMAS | NIL |

* Includes shares held by joint holders

# Management Team

## Senior Managers

### Supreme Ventures Limited

| | |
|---|---|
| Brian George | - President & CEO |
| James Morrison | - VP Group Finance & CFO |
| Sonia Davidson | - VP Group Corporate Communications |
| Wayne Boodasingh | - VP New Business Development & Special Projects |
| Janette Conie | - AVP Financial Services |
| Lorna Gooden | - AVP Group Finance |
| Andrew Bromley | - AVP Group Security & Surveillance |
| Nigel Warmington | - AVP Group Facilities & Maintenance |
| Bernard Morrison | - Executive Chef |
| Michael Smith | - Group Information Technology |
| May Lawrence- Evans | - Group HR & Administration |
| Lance Thomas | - Financial Management/Business Analyst |



### Managers
### Prime Sports Jamaica Limited

| | |
|---|---|
| Wayne Mathews | - Financial Reporting, Revenue & Payroll |
| Kerrian Shirley | - Gaming Operations |
| Ann Taylor | - Gaming Operations |
| Fenley Douglas | - Gaming Operations |
| Nicola Hussey | - Gaming Operations |
| Shanna Duval | - Gaming Operations |
| Robert Ebanks | - Drop Team |
| Jushia Jackson | - Restaurant & Bar |
| Tanya Hartley | - Purchasing, Payables & Costing Security |
| Dwight Richardson | - Security |
| Warren Smith | - Security |
| Gladstone Linton | - Security |
| Delroy Nugent | - Finance, Budgeting & Cost Control |
| Brian Brown | - Entertainment |
| Tashia Hutton | - Compliance |

# Proxy Form

SUPREME VENTURES Limited

I/We________________________________________________________________________________

of__________________________________________________ being a Member/Members of the

above-named Company, hereby appoint__________________________________________

of__________________________________________________ as my/our Proxy to vote for me/us

and on my/our behalf at the Annual General Meeting of the Company to be held at The

Hilton Kingston Hotel, 77 Knutsford Boulevard, Kingston 5 on Wednesday,

March 25, 2009 at 10:00 a.m. and at any adjournment thereof.

Dated the ______________________________ day of______________________________, 2009

Signed______________________________________________________________________

NOTES:

1. This Form of Proxy must be received by the Secretary of the Company not less than 48 hours before the time appointed for the meeting.

2. This Form of Proxy should bear stamp duty of $100.00. Adhesive stamps are to be cancelled by the person signing the proxy.

3. If the appointer is a Corporation, this Form of Proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorized in writing.

Produced by Supreme Ventures Limited
Corporate Communications Department