

# SUPREME VENTURES

*Games people love to play...and more*

## ANNUAL REPORT 2011



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# **SUPREME VENTURES LIMITED**

## **NOTICE OF THE ANNUAL GENERAL MEETING**

NOTICE is hereby given that the Annual General Meeting of Supreme Ventures Limited will be held at the WYNDHAM Kingston Hotel, 77 Knutsford Boulevard, Kingston 5, Jamaica, West Indies, on Thursday, 24<sup>th</sup> May 2012 at 10:00 a.m. to consider and if thought fit pass the following Resolutions:-

### **Ordinary Resolutions**

#### **1. Audited Accounts**

“That the Audited Accounts for the year ended 31<sup>st</sup> December 2011 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 interim dividends paid of seven cents on 12<sup>th</sup> July 2011, five cents on 12<sup>th</sup> September 2011, five cents on 29<sup>th</sup> November 2011, and five cents paid on 23<sup>rd</sup> March 2012 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
- Curtis Martin
- David McBean

(i) “That Director Paul Hoo, retiring pursuant to Articles 105 and 106 of the Articles of Incorporation, be and is hereby re-elected.” “That Mr. Nikolaos Nikolakopoulos, be and is hereby elected a Director of the Company.”

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

(iii) “That Director David McBean, retiring pursuant to Articles 105 and 106 of the Articles of Incorporation, be and is hereby re-elected.”

(b) In accordance with Article 103 of the Company’s Articles of Incorporation, Messrs. Nicholas Mouttet and Nikolaos Nikolakopoulos having been appointed since the last Annual General Meeting shall retire, and being eligible, offer themselves for election to the Board.

(i) “That Mr. Nicholas Mouttet, be and is hereby elected a Director of the Company.”

(ii) “That Mr. Nikolaos Nikolakopoulos, be and is hereby elected a Director of the Company.”

# NOTICE OF THE ANNUAL GENERAL MEETING

(Continued)

## 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<sup>st</sup> December 2011, 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, Jamaica, W.I., not less than 48 hours before the time appointed for the meeting. The Proxy Form should bear stamp duty of J\$100.00 or its equivalent, before being signed. The stamp duty may be paid by adhesive stamps, which are to be cancelled by the person signing the Proxy.

DATED this 27<sup>th</sup> day of March 2012

BY ORDER OF THE BOARD



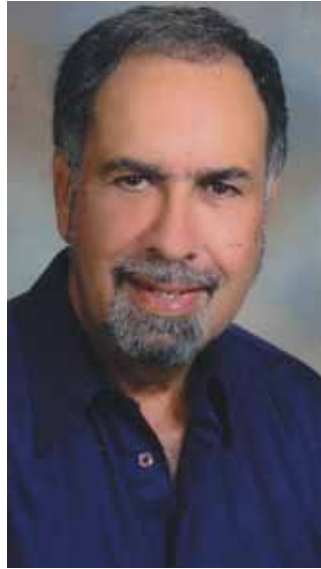
Winsome Minott  
COMPANY SECRETARY



# BOARD OF DIRECTORS



Paul Hoo - Chairman



Ian Levy



Brian George



Nikolaos Nikolakopoulos



Georgios Sampson



Steven Hudson



John Graham



Barrington Chisholm



Nicholas Mouttet



Dr. David McBean



Curtis Martin



Winsome Minott  
- Company Secretary

# Corporate Governance

The Board of Directors of Supreme Ventures Limited is collectively responsible for the performance of the Company and its subsidiaries. One of the primary responsibilities of the Board of Supreme Ventures Limited is to ensure that the Company and all subsidiaries adhere to a strong and effective Corporate Governance Code. An effective Corporate Governance Code is vital to preservation of shareholder value and confidence. During the relevant year, the Board reviewed and updated the Corporate Governance Code of Supreme Ventures Limited.

The Corporate Governance Code will be reviewed annually by the Board to ensure that it remains current and in accordance with local laws, regulations and local and international best practices, including the rules of The Jamaica Stock Exchange.

The updated Code represents best practices that have been derived by the Company or accepted from recommendations of the Private Sector Organization of Jamaica (PSOJ). A copy of Supreme Ventures Limited's updated Corporate Governance Code was made available to The Jamaica Stock Exchange.

SVL's Corporate Governance Code ensures that the Board is responsible for overseeing the Company's strategic aims; ensuring that the necessary financial and human resources are in place for the Company to meet its objectives; that the Company's values and standards are upheld; that obligations to the Company's shareholders and others are understood and met.

## **Board Responsibility**

The Board's primary responsibility is to supervise the Management of the Company and provide effective governance over the Company's affairs. In so doing, it must strive to balance the interests of all stakeholders, including stockholders, agents, employees, gamers, and communities in which the Company operates.

At all times, the Directors are expected to exercise independent business judgement in what they reasonably believe to be in the best interest of the Company. In discharging that obligation, Directors may rely on the honesty and integrity of the Company's Senior Management and expert advisors, including auditors.

SVL's Board met four (4) times during 2011 to ensure that the Board's mandate and dictates were effectively addressed. The responsibility of the Board includes the following duties and functions:

- To provide entrepreneurial leadership of the Company within a framework of prudent and effective risk management;
- To review management performance;

# Corporate Governance

## Board Responsibility (continued)

- To set values and standards for the Company and all subsidiaries;
- To ensure that the Company's obligations to shareholders are understood and met;
- To ensure that Board Members behave ethically and promote throughout the Company behaviour that is consistent with the culture and values of a high-performance organization;
- To create the right framework that will enable Directors to meet their statutory duties;
- To approve the Group's strategic direction, the organizational structure and placement planning for senior management;
- To evaluate operating and financial results of the Group against planned objectives;
- To review the integrity of the Group's internal controls and Management Information Systems;
- To evaluate and select candidates for the Board of the Company and that of its subsidiaries;
- To establish Committees and appoint Chairs of these Committees;
- To identify significant business risks and to recommend strategies to be adopted within management policy framework and practices that should mitigate significant business risks;
- To ensure that senior management provides timely and accurate information required by the Board to effectively perform duties.

## Size and Composition of the Board of Directors

- The size and composition of the Board should permit the Board to be effective in exercising powers and duties. The number of Directors should not exceed twelve. The composition will reflect Directors drawn from diverse backgrounds, thereby creating a balance of independence, knowledge, experience, and leadership skills and perspectives among Directors to allow the Board to work effectively. The Board should be characterized by a high level of integrity, and independence that can undergird corporate objectives. 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.

# Corporate Governance

## Size and Composition of the Board of Directors (cont'd)

Designations:

- Chairman
- Deputy Chairman
- President and CEO
- Senior Independent Director (who may also be Deputy Chairman)
- Executive Director(s)
- Non-executive Directors

There should also be a suitable balance of power on the Board, so that no one individual or small group of individuals will be able to dominate the Board and its decision-making.

## Independence

In determining the independence of proposed candidates or current members, the Board of Directors should consider the person not independent when the member:

- Is or has been an employee, senior executive or Chairman of the Board of Directors of the Company or its subsidiaries within the last three (3) years;
- Receives or has received during the 12 months prior to his appointment any compensation from the Company other than Board membership fees approved by the General Meeting of Shareholders of the Company;
- Has or had within the past year a material business relationship with the Company or its subsidiaries, particularly as a significant client, supplier or consultant of the Company or as a partner, shareholder or Board member, or senior executive of an entity that has such a relationship with the Company or its subsidiaries;
- Has been the External Auditor of the Company or its subsidiaries or has been a partner or employee of a firm that provides external auditing services to the Company or its subsidiaries within the last three (3) years;
- Has a second-degree kinship with or is the spouse of a non-independent Board member, senior executive, adviser or significant shareholder of the Company or its subsidiaries;



# Corporate Governance

- Controls directly or indirectly through related parties, more than 5% of the voting rights of the Company or represents a significant shareholder of the Company or its subsidiaries.

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 will evaluate the Directors' Independence.

Of the eleven (11)\* Directors, three (3) are independent. Messrs. Curtis Martin, Barrington Chisholm, and Dr. David McBean are the three named Independent Directors.

## Audit Committee

The Audit Committee was established by the Board on 10th April 2006. The following Directors were elected to serve and they remain members as at 31<sup>st</sup> December 2011:

- Mr. Curtis Martin (Chairman)
- Dr. David McBean
- Mr. Ian K. Levy
- Mr. Georgios Sampson

As at 5<sup>th</sup> November 2011, the Board approved changes to the Audit Committee. Mr. John Graham and Mr. Barrington Chisholm ceased to be members of the Audit Committee and Mr. Georgios Sampson was appointed on the same date.

The functions of the Audit Committee are as follows:

- To monitor the integrity of the financial statements of the Group. To review annual and interim reports, preliminary results, announcements and any other formal announcement relating to financial performance;
- To review arrangements for employees;
- To review significant financial reporting issues and judgements, 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 monitor and review the effectiveness of internal audit functions in the context of the overall risk management systems;

# Corporate Governance

## Audit Committee (continued)

- 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 will oversee the selection process for new Auditors and shall investigate issues leading to the resignation of Auditors where applicable;
- To oversee the relationship with the 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 findings of the External Auditors and in particular initiate discussions on issues which may have arisen during the audit, including accounting and auditing judgements and levels of errors identified;
- To review the effectiveness of the services provided by the External Auditors.

The quorum for the Audit Committee is **three** and this must include **two** independent members. Mr. Curtis Martin and Dr. David McBean are the named Independent Directors.

## Finance Committee

The Board established a Finance Committee on 5<sup>th</sup> November 2011. Messrs. Paul Hoo, Brian George, John Graham, Barrington Chisholm and Steven Hudson were named and agreed to serve. No meetings were held in 2011.

## The Compensation Committee

The Board of Directors appointed the members of the Compensation Committee. The Compensation Committee is responsible for the following:

- To review the senior level organizational structure and staffing of the Company.
- To review compensation to be paid to Senior Executives and other Board appointed officers of the Company.
- To review the general criteria and design of the Company's incentive/bonus schemes and the basis of distribution of incentives.
- To approve annually, incentive pay awarded to staff under the Company's incentive/bonus scheme.

The Committee members as at 31<sup>st</sup> December 2011 were Dr. David McBean, Mr. John Graham, Mr. Steven Hudson and Mr. Barrington Chisholm.

# Corporate Governance

The attendance of the Directors of SVL at the Board and Committee meetings for the period ended 31<sup>st</sup> December 2011 is reflected in the table below:

<i><b>Directors</b></i>	<i><b>Position</b></i>	<i><b>Board Meetings</b></i>	<i><b>Audit Committee</b></i>	<i><b>Compensation Committee</b></i>	<i><b>Governance Committee</b></i>
Paul Hoo	Non-Executive	4	-	-	-
Brian George	Executive	4	-	-	-
Ian Levy	Non-Executive	4	11		-
John Graham	Non-Executive	4	10	2	2
Curtis Martin	Non-Executive	4	11	-	2
Barrington Chisholm	Non-Executive	4	11	2	2
Steven Hudson	Non-Executive	4	-	1	-
Georgios Sampson	Non-Executive	4	-		-
David McBean	Non-Executive	4	10	2	2
Nikolaos Nikolakopoulos*	Non-Executive	1	-	-	-
Nicholas Mouttet*	Non-Executive	2	-	-	-

\*Messrs Nikolaos Nikolakopoulos and Nicholas Mouttet were appointed to the Board on the 14<sup>th</sup> and 19<sup>th</sup> July 2011 respectively. There are currently eleven (11) Directors as at 31st December 2011.

# Chairman's Statement



Paul Hoo - Chairman

As Chairman of the Board of Directors, I am once again proud to be reporting to you our valued shareholders. This report comes at a time of both increased excitement and attention on Jamaica as we celebrate our 50<sup>th</sup> Anniversary of Independence and prepare for what we anticipate to be an extremely successful year at the London 2012 Olympic Games.

We are reporting at a time when the worldwide economic challenges especially those that affect the price of oil continue to put pressure on energy, transportation and food cost on all of us in Jamaica. We also anticipate the continued structural adjustments associated with any new IMF agreements that will require tremendous patience and some sacrifice on the part of all Jamaicans.

2011 was both an exciting and challenging year for Supreme Ventures and its subsidiaries. We celebrated our 10<sup>th</sup> anniversary with activities that involved all of our stakeholders. This included: a mega on-line Cash Pot Coloured Ball player promotion, an agent function held on the in-field at Caymanas Track, cocktails at the Wyndham Kingston Hotel immediately following the last AGM, a Corporate Cocktail function held at the Jamaica Pegasus Hotel and finally a celebration with our staff, which was held at the Caymanas Golf Club.

We have had a singular and significant achievement which we believe demonstrates our commitment to providing our shareholders with sustainable and increasing returns well into the future. This is the extension of our licence to operate from 2016 to 2026.

The major benefits to this outstanding accomplishment are as follows:

- 1) We negotiated a significant reduction in our rates and extended our agreement with GTECH to 2026.
- 2) We signed a long-term agreement with Intralot that would upgrade our lounges along with the implementation of the World Class IGEM online VLT monitoring system in Jamaica.
- 3) We acquired land in downtown Kingston that will allow Supreme Ventures to construct a head office building, while taking advantage of the incentives provided such as:
  - a. Consolidation of offices
  - b. Ability to exploit tax incentives on Urban Renewal Project
  - c. Access to preferential interest rates

Additionally, we have kept our commitment made at the last AGM regarding our dividend policy, by paying Quarterly Dividends for each quarter of 2011, over the minimum of 70% of profit after tax.

# Chairman's Statement (cont'd)

Total dividend paid in 2011 was J\$448.386 million, which represented an EPS of \$0.23 and a dividend yield of 5.67%.

The CEO in his report will outline the specific details of our 2011 Financial Performance; however I wish to highlight to your attention, two financial achievements especially given the many economic and operational challenges:

- 1) A 10% growth in overall revenues from JA\$25.2 Billion to JA\$27.9 Billion dollars
- 2) Year-on-Year profits have increased from \$421.267 million in 2010 to \$606.326 million in 2011, an increase of 43.93%

Going forward as a publicly traded company, the Board of Directors continues to take steps to strengthen the company's Corporate Governance Structure in keeping with the evolving best practices and as recommended by the Jamaica Stock Exchange and emerging trends internationally.

Finally, in 2011, the Board of Directors took the decision to establish the Supreme Ventures Foundation, which based on the date of this AGM was announced publicly on April 12, 2012. In keeping with the mandate to maintain independence of the Foundation, the Board in making this announcement, also announced Dr. David McBean, an Independent member of the Board of Directors of Supreme Ventures Limited as the Chairman of the Foundation. The additional members are:

- a) Barrington Chisholm
- b) May Lawrence Evans

The primary focus of the Foundation will be the development of legacy projects in the areas of health, education and sports.

In closing I would once again like to thank our management, staff, agents and players for their continued support, dedication and commitment to the organization. On this unique occasion, I would also like to pay a special tribute to Mrs. May Lawrence Evans, the first employee of Supreme Ventures Limited who has retired from the company effective February 1, 2012.



Paul Hoo  
Chairman



Cutting the 10th anniversary cake



Director Georgios Sampson and Don Sweitzer - Chairman of GTECH



Directors Nikolaos Nikolakpoluos and Steven Hudson at the AGM



VP Erik Dyson of GTECH and Brian George - President & CEO of SVL



Distinguished guests at the corporate cocktails



Chairman Paul Hoo presents a 10th anniversary award to May Evans



Ambassador Courtney Walsh gets a hug from Promotion Hostesses at the Agent Appreciation Event



# Senior Management Team



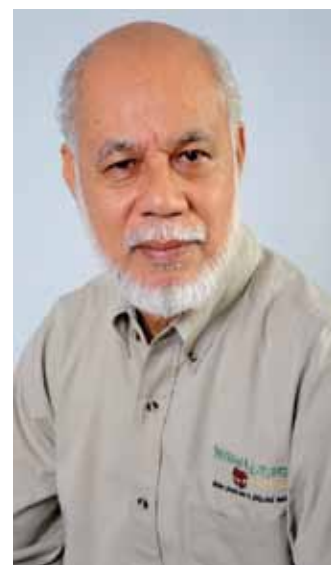
Brian George  
President & CEO



Sonia Davidson



Lancelot Thomas



James Morrison



Lorna Gooden



Georgios Souris



Wayne Boodasingh



May Lawrence Evans



Andrew Bromley



Nigel Warmington



Janette Conie



Michael Smith



Bernard Morrison

# Management Discussion & Analysis



Brian George - President & CEO

*“To implement strategic technology and develop operating partnerships to improve efficiencies locally and extend our reach regionally.”*

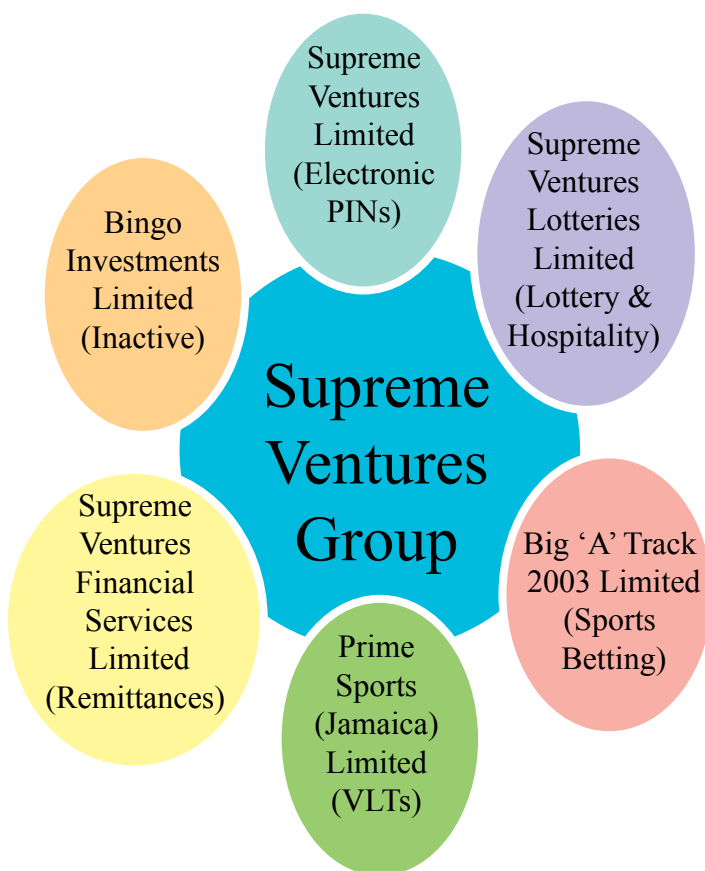
In 2011, the Group celebrated 10 years of loyal service to the business of customer excitement and entertainment, with a product portfolio which includes: Lottery games, sports betting, video lottery terminals (VLTs); electronic PINs and hospitality services.

These products are respectively segmented within the Group’s six wholly-owned subsidiaries:

This Management Discussion and Analysis reviews the financial position and results of the operations of Supreme Ventures Limited for the year ended December 31, 2011. The Management Discussion and Analysis should be read in conjunction with the consolidated financial statements of the Company and its subsidiaries (the Group) which are prepared by Deloitte & Touche Chartered Accountants and presented in Jamaican dollars.

*“To be the best provider of online lotteries, sports betting, gaming and other electronically distributed products and services.”*

Supreme Ventures Limited is listed on the Jamaica Stock Exchange and was cross listed on the Trinidad and Tobago Stock Exchange up until February 2, 2012. The company still remains the leading provider of lottery and gaming operations in the Caribbean.



# Economic & Political Environment

The Jamaican economy grew in 2011 by 1.5%, which was the first sign of growth in four years. This was driven locally by a boost in demand for bauxite and alumina, as well as improved performance in the agricultural sector, due to better weather conditions. Furthermore, inflation is at its lowest in five years; a rate of 6% which has been the lowest since 2006, when it was 5.7%. The exchange rate at 31st December 2011 was \$86.08 per US\$1, from \$87.38 per US\$1 at 31st December 2010. This represented an appreciation of 1.52% which depicts stability in the economy. Remittances have also increased in 2011 by \$5.2B, an essential source of income, as 40% of Jamaican households receive remittances and it accounts for 15 - 20% of the country's revenue.

However socially, the Jamaican population continues to suffer as unemployment and poverty levels continue to increase. As of October 2011, the unemployment rate was at 12.8%, a percentage change increase of 6.67% when compared to the previous period in 2010. Jamaica's poverty level moved from 9.6% in 2007 to a range of 18 - 20% in 2011.

In December 2011, general elections were held and there was a change in Government as the People's National Party (PNP) won the majority seats. As part of their political campaign, they focussed on implementing the Jamaica Emergency Employment Programme (JEEP), in order to increase the number of jobs and as a result, reduce poverty. This will provide greater spending power to the local consumer.

Disposable income continues to be the base patronage of our products and services. The current global debt crisis had its effect on the Jamaican economy, as Jamaicans receive billions of dollars in aid from the United States and Europe. This aid is used to supplement the national budget and fund several social programmes. If the debt crisis continues and countries are forced to cut expenditure on social and capital programmes, poverty in Jamaica will continue to increase, resulting in less disposable income.

Despite the economy's growth of 1.5% in 2011, the country still remains in debt to \$1.6 trillion dollars, which continues to increase. As the International Monetary Fund (IMF) negotiates with the new Government, the lottery and gaming industry stands at a huge risk, if any structural adjustments arising out of the new IMF agreement result in significant cuts in the public sector.

These factors affected our profitability, in that, we did not reach our targeted net profit after tax for the year ended December 31, 2011. Three main factors that we believe challenged the profitability of the business were:

1. Decrease in discretionary income due to economic factors
2. Unexpected high Cash Pot payouts above the game design of 72.2%
3. Delay in sports betting Regulations, which resulted in the inability to expand the network of agents

Notwithstanding, the company ended on a satisfactory financial note and continues to be optimistic, with focus on its growing product portfolio, to ensure future profitability.



# Gaming Market

The total gaming population in Jamaica is the market of 18 years and older, which approximately represents 1.7 million people. The primary market represents ages 30 - 59 years of age, approximately 992,000 persons.

The Group operates in a:

- Non-competitive lottery market, until a new lottery license is utilized, or the introduction of a city lottery.
- Competitive VLT market, as there is an increase of gaming lounges particularly in Montego Bay and Kingston.
- Competitive sports betting market as the United Bookmakers' Association also offer bets.

In January 2011, SVL successfully negotiated and received an extension to the Lottery License, to the year 2026. This extension provided the Group with leverage in re-negotiating its contractual relationship with GTECH.

In May 2011, a new contractual agreement with INTRALOT was executed, where INTRALOT Caribbean Ventures Limited would partner with a SVL's wholly-owned subsidiary, in implementing a monitoring system to improve operations in the gaming lounges.

# Financial Overview

Despite another challenging year for our business due to the socio-economic environment and its effects on our customers, the Supreme Ventures Group reported \$27.962 Billion in total revenues, a 10.66% increase over the \$25.267 Billion achieved in 2010. As a result, the Group's net profit after tax was \$606.326 Million or a 43.93% increase over the previous year's net profit after tax of \$421.267 Million.

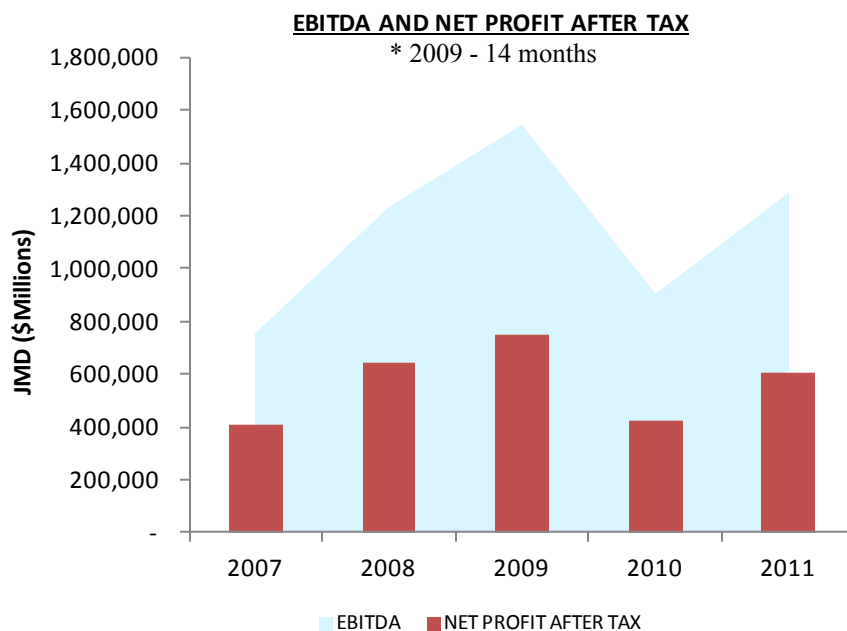
For the year under review:

- Direct expenses were \$24.66 Billion, an increase of 9.67% or \$2.175 Billion
- Operating expenses of \$2.439 Billion, an increase of 15.58% or \$379.991 Million
- Interest income fell to \$46.38 Million, a 35.26% decline over the previous year

Other gains were \$195.391 Million increase when compared to the previous financial period of a loss of \$15.056 Million. Included in the gain is the early renewal fee of \$149.391 Million for the successful completion of a new contractual agreement with GTECH Corporation.

Other benchmarks were:

- Return on Equity of 17.4% compared to 12.7% in 2010.
- Earning per Stock Unit of \$0.23 compared to \$0.16 in 2010.
- Dividend payments amounting to \$0.17 compared to \$0.14 in 2010





# Financial Overview (cont'd)

2011 marked the 10th year anniversary of the Group and SVL continues to be one of the most respected and recognizable brands in Jamaica. 2011 was also a year of eliminating costs and re-looking at our strategy in order to focus on the core business of lottery and gaming.

In August 2011, the Group rationalized its gaming lounge operations to improve efficiency and productivity, which will in turn yield greater profitability. Acropolis May Pen was down-sized to a betting lounge with 19 VLTs and now offers an integrated gaming lounge, lottery and sports betting operations. The hospitality services were discontinued at the location.

In September 2011, the Acropolis Portmore gaming floor was re-configured. The Group continues to upgrade the VLT network amongst all gaming lounges.

On November 23, 2011 Supreme Ventures Limited signed an agreement with Lasco Financial Services Limited to conduct the MoneyGram remittance services at SVL's Regional Offices through Lasco's license. The company also voluntarily surrendered its Cambio licenses and has discontinued these services under Supreme Ventures Financial Services Limited. The decision was implemented in order to improve and focus on the core business of lottery gaming, betting and gaming lounge operations. Hospitality services will continue to be offered in the restaurants and bars at some of the gaming lounges.

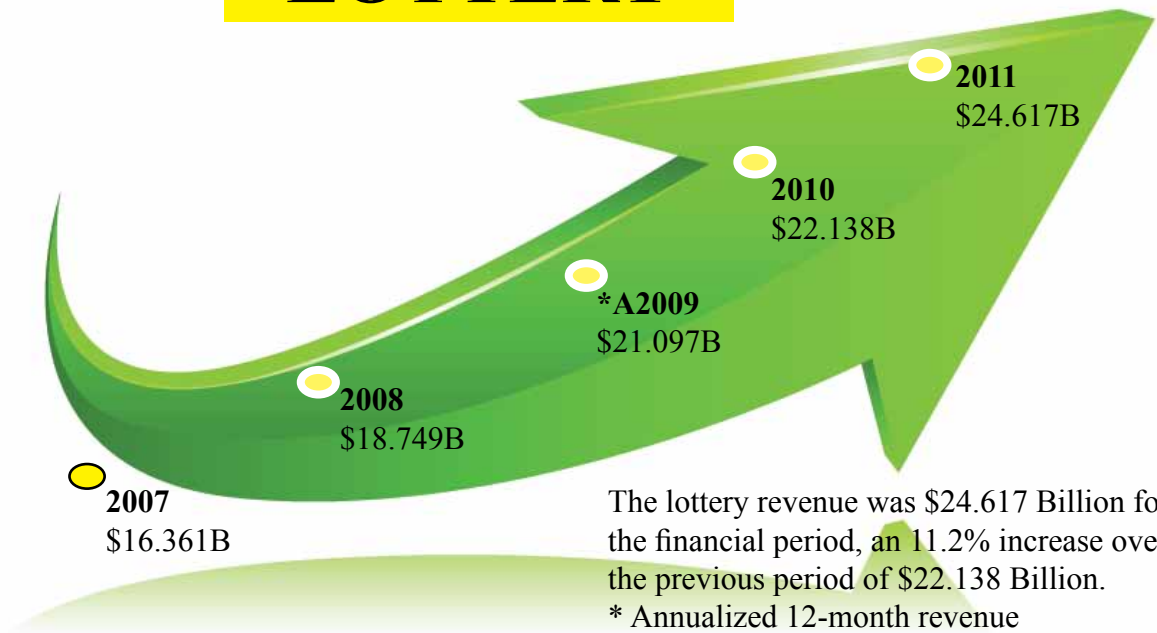


President and CEO of SVL - Brian George (2nd left) exchanges signed agreements with Lascelles Chin - Chairman of the Lasco Group of Companies. Sharing in the occasion are Winsome Minott (left) - SVL's Company Secretary, Gary Peart (centre) - Managing Director of Mayberry Investments Limited and Jacinth Hall-Tracey (right) - Managing Director of Lasco Financial Services Limited

## Financial Ratios

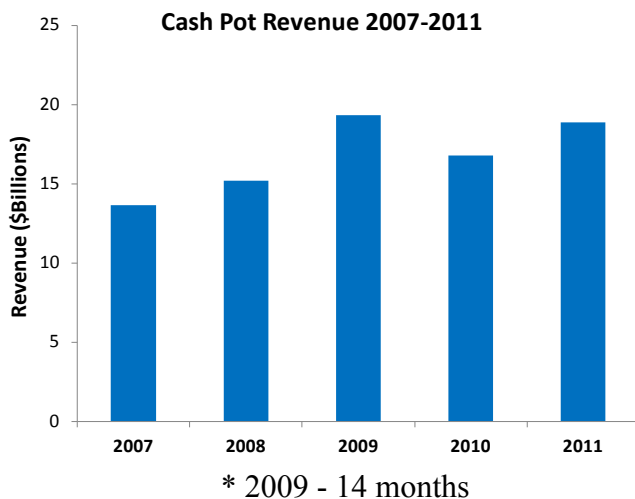
	12 Months 2011	12 Months 2010	14 Months 2009	12 Months 2008	12 Months 2007
<b>Operating Results</b>					
Total revenue (JMD \$ 000)	\$27,961,628	\$25,419,264	\$28,167,960	\$21,180,035	\$18,946,913
EBITDA (JMD \$ 000)	\$1,286,622	\$904,014	\$1,542,449	\$1,231,122	\$726,380
Profit Before Taxation (JMD \$ 000)	\$1,063,561	\$705,588	\$1,265,884	\$1,107,833	\$631,231
Profit After Taxation (JMD \$ 000)	\$606,326	\$421,267	\$751,202	\$645,989	\$405,400
<b>Balance Sheet Information</b>					
Total Assets (JMD \$ 000)	\$5,064,946	\$4,639,366	\$4,384,916	\$4,295,587	\$3,885,204
Shareholder's Equity (JMD \$ 000)	\$3,483,257	\$3,324,028	\$3,112,916	\$2,946,073	\$2,424,105
<b>Balance Sheet Ratios</b>					
Return on Equity	17.4%	12.7%	24.1%	21.9%	16.7%
Debt to Equity Ratio	45.4%	39.6%	40.9%	45.8%	60.3%
<b>Common Share Information</b>					
Weighted Average Number of Ordinary Stock ('000)	2,637,254	2,637,254	2,637,254	2,637,254	2,637,254
<b>Stock Prices</b>					
Closing Stock Price (JSE)	\$3.00	\$2.17	\$2.01	\$2.70	\$2.40
Closing Stock Price (TTSE)	TT \$0.18	TT \$0.18	TT \$0.20	TT \$0.24	-
<b>Common Share Ratios</b>					
Earnings per Share	\$0.23	\$0.16	\$0.29	\$0.24	\$0.15
Dividends per Share	\$0.17	\$0.14	\$0.19	-	-
Capital Distribution per Share	-	-	\$0.03	\$0.15	-
Book value per share (\$)	\$1.32	\$1.26	\$1.18	\$1.12	\$0.92

# LOTTERY

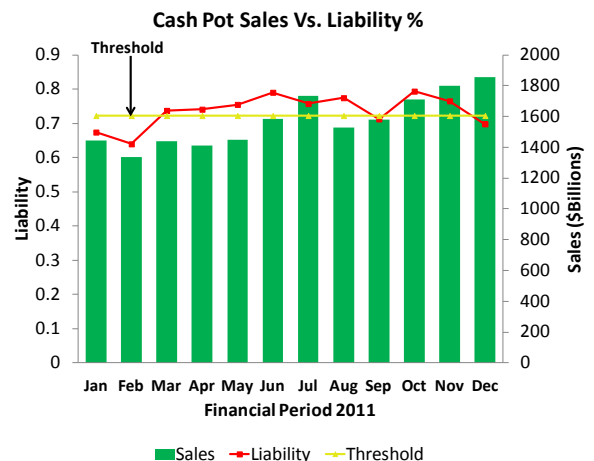


## CASH POT

Cash Pot remains the top player in our lottery portfolio, as it represents 76.64% of total lottery revenue. Cash Pot increased by 12.31% when compared to the previous year of \$16.798 Billion, total sales being \$18.866 Billion.



Cash Pot revenue is highly impacted, as liabilities fluctuate around the game design of 72.22%. The volatile Cash Pot game liabilities over the period can be seen in the graph below:



## Promotion

The 10th Anniversary Cash Pot Coloured Ball Promotion (June 20 - July 16, 2011) was conducted to demonstrate our appreciation to our valued customers. Payouts were as high as 36:1.





## PICK 2

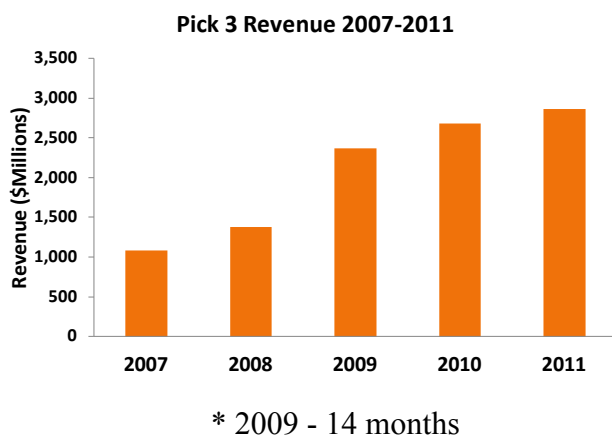
Pick 2 is one of the newest games added to our lottery game portfolio on December 13, 2010. For the year ending December 31, 2011, Pick 2 sales amounted to \$720.297 Million.

## Game Enhancement

The reverse order prize level tier was added, along with a 4th daily draw on April 27, 2011.

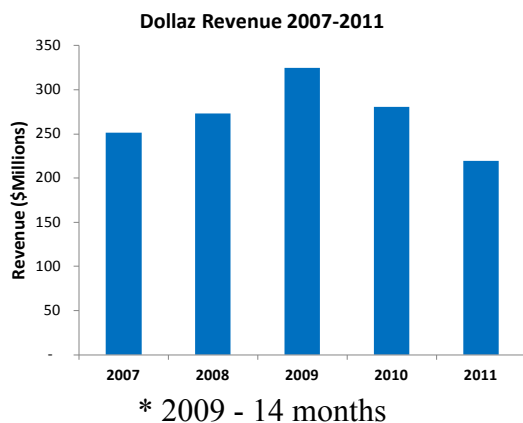
## PICK 3

The Pick 3 game continued to gradually improve over the previous financial year, with total revenue of \$2.864 Billion. This was a 6.75% increase over the 2010 financial period of \$2.683 Billion.



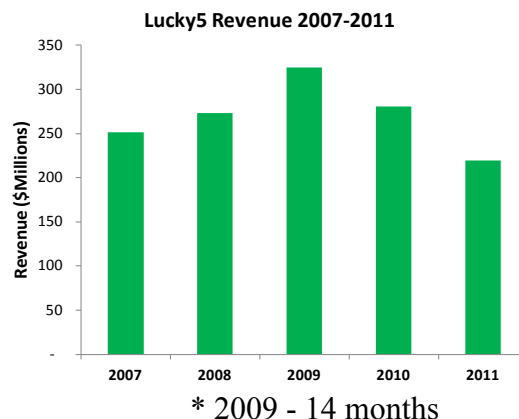
## DOLLAZ!

Dollaz! revenue declined by 21.77% when compared to the previous year, with total sales being \$219.238 Million versus \$280.257 Million.



## LUCKY5

Lucky5 reported a 26.83% decline in sales when compared to sales in 2010 of \$510.111 Million. Total revenue for the 2011 period was \$373.233 Million.



## LOTTO

Lotto reported a 10.06% decline in sales, with total sales for the year being \$1.043 Billion versus \$1.159 Billion in 2010.



### 2011 Jackpots Won

Jan - \$100 M

Feb - \$19M

Apr - \$90M

May - \$17M

Jul - \$70M

Sept - \$21M

Oct - \$21M

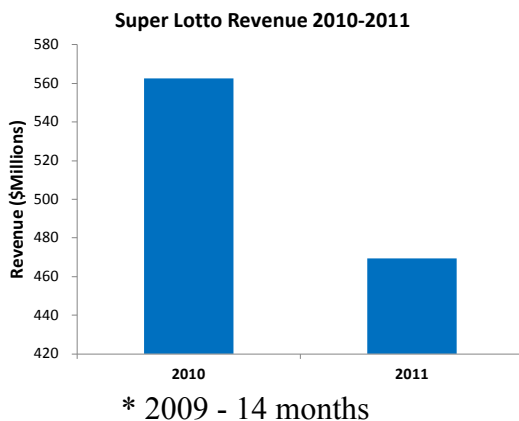


## SUPER LOTTO

The multi-jurisdictional game Super Lotto was launched in August 2009. The game is played across several countries: Dominican Republic, Jamaica, Barbados, Anguilla, Antigua and Barbuda, Bermuda, St. Kitts and Nevis, Barbados, St. Maarten and the United States Virgin Islands.

Super Lotto sales reported a 16.54% decline when compared to the previous year of \$562.488 Million, total sales being \$469.466 Million.

The second Super Lotto jackpot hit was on September 27, 2011 by a Jamaican. The jackpot was \$387 Million, however, the winner purchased the ticket at \$150 (split price) and as such, won \$232 Million.



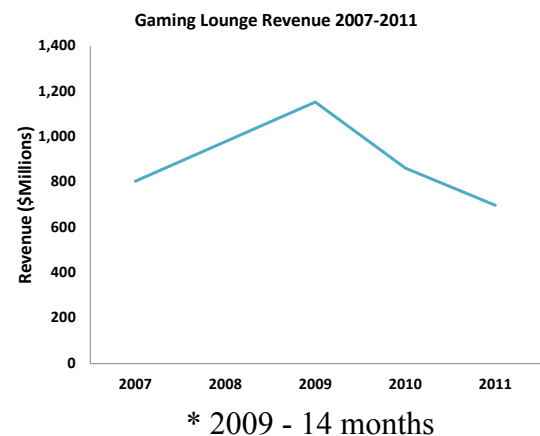
## Promotions

- Super Lotto Doubler Promotion (September 26 - October 22, 2011). The promotion allowed players to win double their guaranteed lower tier prize amount, without additional cost to the player.
- Super Lotto Testimonial Campaign (November 21 - December 16, 2011). A media campaign was launched after the first ever Jamaican jackpot winner, where persons gave an account of what they would do if they became a super-millionaire.

## GAMING

Supreme Ventures Limited's wholly-owned subsidiary Prime Sports (Jamaica) Limited, operates four gaming lounges: Acropolis Barbican; Acropolis May Pen; Acropolis Portmore and Coral Cliff in Montego Bay. In August 2011, Acropolis May Pen was downsized to a betting lounge.

VLTs at the present locations represent a mixture of machines such as BlackJack, Roulette, Royal Ascot and slot machines. Total net win for the financial period under review was \$697.790 Million, which is a 19.09% decline when compared to the previous financial period in 2010 of \$862.439 Million.



## SPORTS BETTING

The company markets the sports betting operations under the JustBet brand name. JustBet operations commenced in January 2010 and at December 31, 2011 there were 100 installed terminals.

Total sales for the financial period was \$99.932 Million, a 131.9% or \$56.839 Million increase over the previous period.

We continue to experience challenges in the roll-out of terminals, as the current betting Regulations do not recognize sports bars for licensed betting operations.

## Sports Betting Revenue 2010 - 2011



## SPORTS BETTING

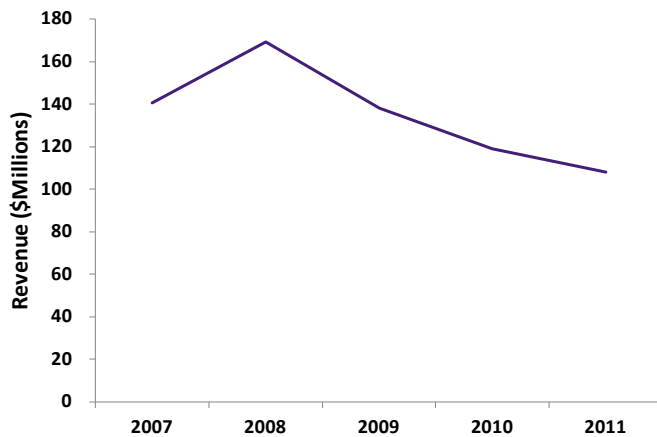


## HOSPITALITY

Hospitality services were discontinued at Acropolis May Pen in August 2011.

Total restaurant and bar sales for the financial period was \$108.161 Million, which is 9.09% decline when compared to the previous year of \$118.981 Million.

**Restaurant and Bar Revenue 2007-2011**



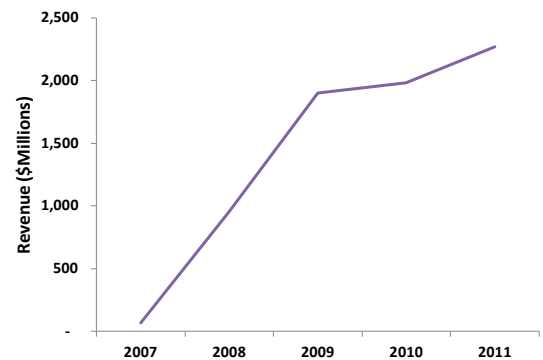
\* 2009 - 14 months

## COMMERCIAL SERVICES

Total sales of Electronic PIN codes for the year 2011 was \$2.268 Billion, which was a 14.51% increase when compared to the previous year of \$1.98 Billion.

The sale of LIME DIRECT PIN codes began on April 19, 2011.

**Pin Codes Revenue 2007-2011**



\* 2009 - 14 months

## Promotion

### Digicel Bonus Credit Promotion:

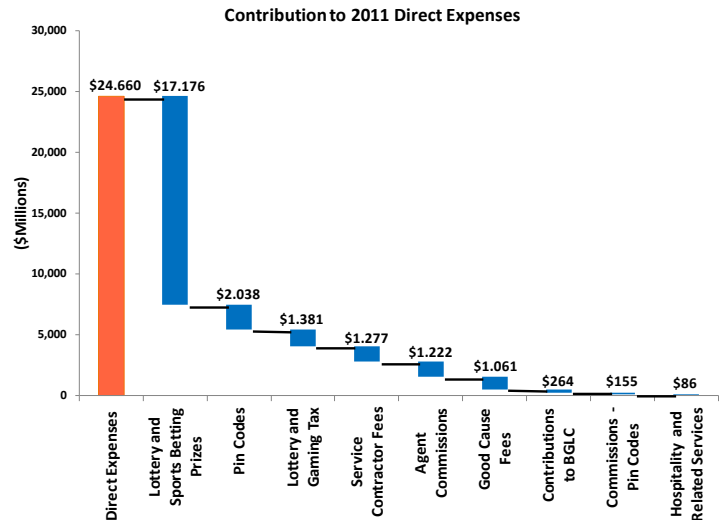
This promotion was conducted between October 31 - November 30, 2011. Everyone that purchased Digicel PINs of \$200 or more at a SVL terminal received an additional 10% on their 'Top Up' credit amount.

# DIRECT EXPENSES

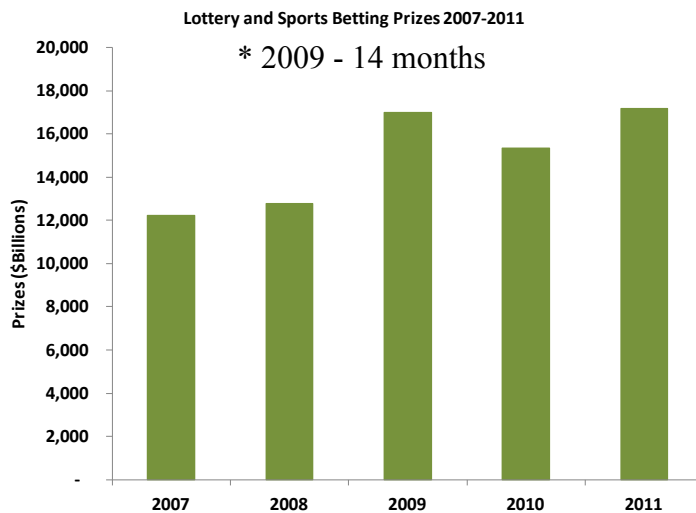
Direct expenses totalled \$24.66 Billion for the 2011 financial period. This was a 9.67% increase when compared to the previous year of \$22.485 Billion.

Significant contributions to the increase in 2011 were:

- Lottery and Sports Betting Prizes
- PIN Codes
- Lottery and Gaming Tax
- Agent Commissions



## Lottery and Sports Betting Prizes

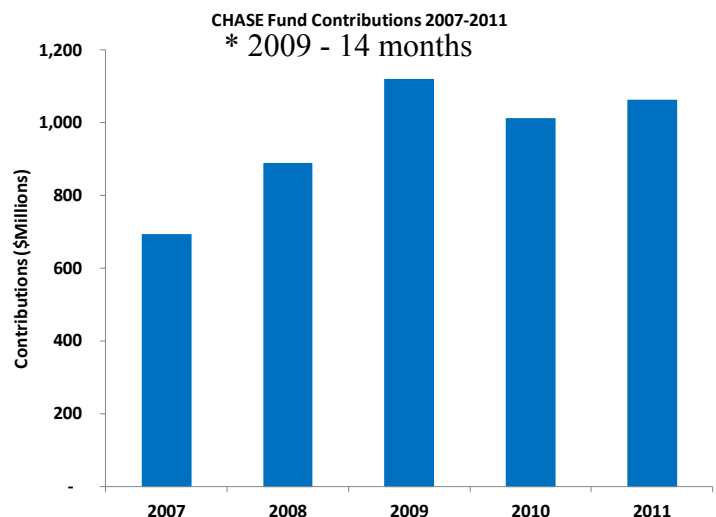


The growth in overall lottery game revenue was also accompanied by an increase in prize payouts for lottery games, sports betting and other taxes.

The Lottery and Sports Betting prizes accounted for 69.65% of the direct expenses, with Cash Pot and Pick 3 being the two largest payouts. Lottery and sports betting prizes for 2011 equated to \$17.176 Billion, in increase of 11.87%.

The Supreme Ventures Group continues to be the major contributor to the CHASE Fund for the Good Cause Fees.

The Group contributed \$1.061 Billion in 2011, which was an increase of 5% over the 2010 financial period.



# Risk Management

## Our Approach

The SVL Group considers risk as anything that could significantly affect the achievement of our business objectives. Therefore, the Group is exposed to many different types of risks through the various activities it engages in fulfillment of its objectives.

We classify our business objectives into four main areas:

1. Strategic Objectives – high-level organizational goals, aligned with the Group’s vision and mission
2. Operating Objectives – internal standards of efficiency and effectiveness
3. Financial Reporting Objectives – internal and external reporting requirements
4. Compliance Objectives – adherence to statutory and regulatory requirements

Our risk management framework is geared towards effective management of the risks related to the above objectives. The Group takes an enterprise-wide approach to the identification, assessment, treatment and communication of risks.

The framework is developed based on the nature and extent of the Group’s activities and takes authoritative reference and/or guidance from the following sources:

- Companies Act, 2004
- Jamaica Stock Exchange rules and regulations
- Other local statutory and regulatory requirements
- Sarbanes Oxley Act (particularly, sections 302 and 404)
- COSO Framework
- ISO 31000:2009

## Our Risk Management Structure

One of the main objectives of the framework is to enhance our confidence and risk intelligence in seeking to maximize stakeholder returns while safeguarding existing assets. The framework is administered through its different components, which are:

- ✓ Board of Directors including its Audit Committee
- ✓ Senior Management & Business Units
- ✓ Strategic Planning & Risk Management Unit

The Board of Directors has overall responsibility for the establishment and oversight of the Group’s risk management framework. One of the Board’s critical responsibilities is to set the Group’s risk appetite, which includes managing the risks affecting the Group’s strategic objectives. The Board’s risk management mandate is carried out primarily through its Audit Committee.

The Audit Committee has oversight for the management of risks relating to the Group’s financial reporting objectives. This includes monitoring the systems for ensuring the integrity of the financial statements, reviewing the system of internal controls, overseeing the management of financial risks (which includes liquidity, interest rate and foreign currency risks) and setting and monitoring risk limits and controls. Risk limits and controls are integral to the risk management process, as they characterize the Board’s risk tolerance as well as that of the regulators.

Senior management and business units support the entity’s risk management approach, promote compliance with its risk appetite, and manage risks within their spheres of responsibility based on risk limits set by the Board’s Audit Committee. The business units are responsible for the day-to-day identification and response to risk exposures within their limits and the prompt communication of issues to senior management.

Our management approach, business policies and processes allow us to place the ownership and

## **Our Risk Management Structure (cont'd)**

accountability for risks with our business units, since they are intimate with the changing nature of risks and are best able to act on our behalf in managing and mitigating those risks. Ongoing risk management support and oversight is provided by the Strategic Planning & Risk Management unit.

One of the critical responsibilities of the Strategic Planning & Risk Management unit is to establish and monitor effective systems for promoting risk intelligence and proper risk communication across the Group. The unit includes the critical function of Compliance. Compliance manages the Group's system for adherence to statutory and regulatory requirements.

The Strategic Planning & Risk Management unit also works closely with the Group's Internal Audit function. The scope and direction of all internal audit work is set and reviewed by the Board's Audit Committee. A key responsibility of our Internal Audit function is to provide objective assurance to the Board (through the Audit Committee) on the effectiveness of the Group's risk management activities, to help ensure that key business risks are being managed appropriately and that the system of internal control is operating effectively.

Therefore, the internal audit role plays a key role in evaluating the Group's risk management processes and advocating their continued improvement. However, to preserve its organizational independence and objective judgment, the internal audit function does not take any direct responsibility for making risk management decisions or executing the risk management processes.

## **The Role of Policies & Procedures**

Policies define and express the Group's overall risk appetite and are developed based on the risk culture of our business units, and subject to the relevant regulatory requirements. Policies set the boundaries on the types of risks the Group is prepared to assume and specify the manner in which the Group assumes these risks. Appropriate policies and procedures are established throughout the organization and are approved by the Audit Committee.

## **The Role of Policies & Procedures (cont'd)**

### **Our Business Risks**

The main risks faced by the Supreme Ventures Group are identified as: credit risk, market risk, operational risk, liquidity risk, regulatory and legal risk, and reputational risk. These are described below.

#### ***Credit Risk***

Credit risk is the potential for loss resulting from the failure of a customer or counterparty to honour its financial or contractual obligations to the Group. Credit exposure for the Group arises mainly in receivables from lottery agents arising from their sales and from cash and bank balances. The Group's credit risk exposure is summarized in Note 43.4

#### ***Market Risk***

Market risk arises from changes in market prices and rates (including interest rates and foreign exchange rates), the correlations among them and their levels of volatility. The Group's foreign currency risk exposure is summarized in Notes 43.6.1 and 43.6.2 and the interest rate risk exposure in Notes 43.6.3 and 43.6.4.

#### ***Liquidity Risk***

Liquidity risk is the risk that the Group is unable to meet its financial obligations in a timely manner at reasonable prices. Financial obligations include prize liabilities, other trade payables, long-term loans and leases. Effective liquidity risk management is essential in order to maintain the confidence of our customers and counterparties, and improves our ability to continue generate revenue, even under adverse conditions. The Group's liquidity risk exposure is summarized in Note 43.5.

#### ***Operational Risk***

Operational risk is the risk of loss from inadequate or failed internal processes, people and systems or from external events.



## The Role of Policies & Procedures (cont'd)

### *Operational Risk (cont'd)*

Operational risk is embedded in all our activities and failure to manage it can result in direct or indirect financial loss, business disruption, regulatory censure, theft and fraud, workplace injury, penalties and corporate image impact. In managing this risk, we maintain a formal enterprise wide operational risk management framework that emphasizes a strong risk management and internal control culture throughout the Group.

### *Regulatory and Legal Risk*

Regulatory risk is the risk of not complying with the regulatory and comparable requirements. Legal risk is the risk of non-compliance with legal requirements, including the effectiveness of preventing and handling litigations. The Betting, Gaming and Lotteries industries are among the most closely regulated industries, locally and internationally, and the management of our business is expected to meet high standards in all business dealings and transactions. Failure to meet regulatory and legal requirements not only poses a risk of censure and penalty but is a serious reputational risk. Business units are responsible for managing day-to-day regulatory and legal risk, while the Compliance Unit along with our external advisory teams assist them by providing advice and oversight.

### *Reputational Risk*

Reputational risk is the potential that negative publicity, whether true or false regarding the institution's business practices, action or inaction will or may cause a decline in the institution's value, liquidity or customer base. All risk can have an impact on the company's reputation, which in turn can impact the brands, earnings and capital. The management of reputational risk is overseen by the Board of Directors and the senior management team.

## Corporate Social Responsibility

The Company continued its role in being a good corporate citizen through various sponsorships and donations to worthy causes during the year.



Paul Hoo (left) - Chairman of SVL and Brian George (2nd left) - President & CEO of SVL discuss the features of vehicles handed over to Police Commissioner Owen Ellington (2nd right). Sharing in the discussion is Andrew Bromley - AVP Group Security & Surveillance of SVL



Participants in the Supreme Ventures Courtney Walsh Cricket Clinics for youngsters under 15 years of age share the lens with Ambassador Courtney Walsh (centre back) and their coaches for the Clinic

# Pictorial Highlights



Kids from the Maxfield Park Children's Home and their Care Givers were treated to Christmas gifts and a matinee performance at the Courtleigh Auditorium



\$90M Lotto winner P Francis gives a wave of the hand



Brian George (2nd left) - President & CEO of SVL hands over the sponsorship cheque for the Supreme Ventures JAAA National Championships to Howard Aris (now deceased) and Ludlow Watts (right) of the JAAA. Andrei Roper (left) of SVL shares in the occasion



Jhanelle Davis (left) - SVL's Corporate Communications Coordinator hands over an award at the Rise Life Management Services Poster and Essay Awards ceremony



Super Bowl time at The Acropolis Barbican

JustBet Promo Hostesses at the Super Bowl party



SVL Race Day trophy presentation at Caymanas Park



Jamaica's sunshine netballer Nadine Bryan (left) and President of the JNA - Marva Bernard get a hug from SVL's Garnett White before departure to the World Netball Championships in Singapore



## Conclusion

Despite the social, political and economic challenges faced in 2011 and those expected to come in 2012, the management team of SVL continues to be confident and positive in upholding our brand, by focussing on the core products and successfully delivering the utmost value to our loyal customers.

The Group successfully negotiated an extension of our Lottery License to the year 2026, that guaranteed GTECH's continuous service to SVL's lottery operations, as well as INTRALOT's increased strategic investments in the company. INTRALOT's investment specifically in VLTs, will further unify the gaming experience between the JustBet and gaming lounge players.



## Outlook for 2012

2012 will be a year of strategic growth and expansion. Our goal is to continue to expand the sports betting network, while simultaneously increase the revenue per terminal. The focus is on expanding third party betting shops, as SVL-owned and operated betting shops would require extensive capital expenditure to put in place. Maximizing the full potential, with an increase in terminals, will boost and enhance profits, as the 2012 Olympic Games approaches.

Lottery terminals will also increase islandwide, as well as increased revenue per game. Our product portfolio continues to grow, as we introduced the Pick 4 game in January 2012.

We will continue to cater to the preferences of our customers and creatively and be innovative in executing game enhancements and promotions within our lottery portfolio.

With INTRALOT on board, the growth of VLTs will significantly increase, as there will be INTRALOT-owned machines implemented in the lounges.

We also expect to open two new gaming lounges in 2012. An online real-time monitoring system will also be implemented in all the gaming lounges. This is expected to provide a better gaming experience.

***“Our commitment is to provide the best, to be the employer of choice and maximize the benefits and return to all stakeholders.”***

# FIVE YEAR FINANCIAL HIGHLIGHTS

	Audited-12M 2011 \$ 000	Audited-12M 2010 \$ 000	Audited-14M 2009 \$ 000	Audited-12M 2008 \$ 000	Audited- 12M 2007 \$ 000
Revenue	27,961,628	25,267,080	28,167,960	21,180,035	18,946,913
Direct expenses	(24,659,683)	(22,484,798)	(24,599,261)	(18,207,114)	(16,986,308)
Gross profit	3,301,945	2,782,282	3,568,699	2,972,921	1,960,605
Operating expenses	(2,218,380)	(1,856,054)	(2,025,618)	(1,740,184)	(1,209,610)
Operating profit	1,083,565	926,228	1,543,081	1,232,737	750,995
Net Foreign Exchange Loss/Gain	7,666	(7,158)	(632)	(1,615)	(24,615)
Other gains and losses	195,391	(15,056)	-	-	-
EBITDA	1,286,622	904,014	1,542,449	1,231,122	726,380
Interest -net	(2,224)	30,023	79,530	52,132	26,478
Depreciation and amortisation	(220,837)	(203,172)	(356,095)	(175,421)	(121,627)
Profit Before Taxation	1,063,561	730,865	1,265,884	1,107,833	631,231
Taxation	(443,294)	(292,138)	(514,682)	(461,844)	(225,831)
Profit for the year from continuing operations	620,267	438,727	751,202	645,989	405,400
Discontinued operations	(13,941)	(17,460)	-	-	-
Profit For the Year	606,326	421,267	751,202	645,989	405,400
Earnings per stock	\$ 0.23	\$ 0.16	\$ 0.29	\$ 0.24	\$ 0.15



**AUDITED FINANCIAL STATEMENTS  
AS AT  
DECEMBER 31, 2011**

# ***Directors' Report***

The Directors present their Annual Report with the Consolidated Statement of Comprehensive Income of Supreme Ventures Limited and its subsidiaries for the year ended 31<sup>st</sup> December 2011, together with the Consolidated Statement of Financial Position.

## **Report 31<sup>st</sup> December 2011**

### **Operating Results**

	<b>\$'000</b>
Gross Profit	<u>3,301,945</u>
Profit before taxation	1, 063,561
Taxation	<u>(443,294)</u>
Profit for the year	<u>606,326</u>
Earnings per stock Basic	<u>0.23 Cents</u>

### **Dividends**

The Directors recommend that interim dividends of: seven cents per ordinary stock unit, paid on 12<sup>th</sup> July 2011, five cents per ordinary stock unit, paid on 12<sup>th</sup> September 2011, five cents per ordinary stock unit, paid on 29<sup>th</sup> November 2011, and five cents per ordinary stock unit, paid on 23<sup>rd</sup> March 2012, totalling twenty two cents be declared as final for the year under review.

### **Directors**

The Board of Directors as at 31<sup>st</sup> December 2011 was as follows:

Mr. Paul Hoo	-	Chairman
Mr. Ian Levy	-	Deputy Chairman
Mr. Brian George	-	President/CEO
Mr. John Graham		
Mr. Nikolaos Nikolakopoulos*		
Mr. Curtis Martin		
Dr. David McBean		
Mr. Barrington Chisholm		
Mr. Steven Hudson		
Mr. Georgios Sampson		
Mr. Nicholas Mouttet*		
Miss Winsome Minott	-	Company Secretary



## ***Directors' Report (cont'd)***

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.

Pursuant to Article 103 of the Articles of Incorporation, Directors appointed during the year shall retire but shall be eligible for election.

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

\*Mr. Nicholas Mouttet and Mr. Nikolaos Nikolakopoulos were appointed as Directors during the year.

***ON BEHALF OF THE BOARD***

A handwritten signature in dark ink, appearing to read 'Winsome Minott', written in a cursive style.

***Winsome Minott***  
***SECRETARY***

# Financial Statements

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## 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 the consolidated financial statements of the Company and its subsidiaries (the Group), set out on pages 36 to 105, which comprise the Group's and the Company's statements of financial position as at December 31, 2011, the Group's and the Company's statements of comprehensive income, statements of changes in equity and statements of 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 of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2004 of Jamaica and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *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 of the financial statements that give a true and fair view 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.

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

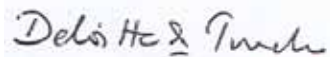
### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at December 31, 2011, and of the Group's and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

## **Report on additional requirements of the Companies Act, 2004 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 by the Companies Act, 2004 of Jamaica in the manner so required.



Chartered Accountants

Kingston, Jamaica,  
February 28, 2012

**SUPREME VENTURES LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT DECEMBER 31, 2011**

	<u>Notes</u>	<u>2011</u> \$'000	<u>2010</u> \$'000
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
Property and equipment	5	1,965,202	2,027,292
Goodwill	6	571,681	586,644
Other intangible assets	7	131,455	73,299
Long-term receivable	9	316,407	326,622
Available-for-sale investments	10	1,883	1,883
Investment in joint venture	11	34,221	34,221
Deferred tax assets	12	<u>61,098</u>	<u>8,034</u>
		<u>3,081,947</u>	<u>3,057,995</u>
<b>Current assets</b>			
Income tax recoverable		-	71,090
Other assets	13	-	5,019
Inventories	14	101,813	134,783
Trade and other receivables	15	462,709	486,558
Cash and bank balances	17	<u>1,418,477</u>	<u>883,921</u>
		<u>1,982,999</u>	<u>1,581,371</u>
<b>Total assets</b>		<u>5,064,946</u>	<u>4,639,366</u>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Shareholders' equity</b>			
Share capital	18	1,967,183	1,967,183
Capital reserves	19	62,486	62,486
Revaluation reserves	20	160,350	159,061
Retained earnings	37	<u>1,293,238</u>	<u>1,135,298</u>
		<u>3,483,257</u>	<u>3,324,028</u>
<b>Non-current liabilities</b>			
Long-term liabilities	21	<u>189,444</u>	<u>192,761</u>
<b>Current liabilities</b>			
Trade and other payables	22	726,575	782,739
Current portion of long-term liabilities	21	214,605	118,614
Prizes liabilities	23	264,301	221,224
Income tax payable		<u>186,764</u>	<u>-</u>
		<u>1,392,245</u>	<u>1,122,577</u>
<b>Total equity and liabilities</b>		<u>5,064,946</u>	<u>4,639,366</u>

The Notes on Pages 44 to 105 form an integral part of the financial statements.

The financial statements on Pages 36 to 105 were approved and authorised for issue by the Board of Directors on February 28, 2012 and are signed on its behalf by:



Paul Hoo - Chairman



Brian George - President and CEO

**SUPREME VENTURES LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED DECEMBER 31, 2011**

	<u>Notes</u>	<u>2011</u> \$'000	<u>2010</u> \$'000
<b>Continuing operations</b>			
Revenue	24	27,961,628	25,267,080
Direct expenses	26	(24,659,683)	(22,484,798)
Gross profit		3,301,945	2,782,282
Operating expenses	27	( 2,439,217)	( 2,059,226)
Profit from operations		862,728	723,056
Interest income		46,376	71,631
Net foreign exchange gain/(loss)	29	7,666	( 7,158)
Finance costs	30	( 48,600)	( 41,608)
Other gains and losses	31	<u>195,391</u>	( <u>15,056</u> )
<b>Profit before taxation from continuing operations</b>	32	1,063,561	730,865
Taxation	34	( <u>443,294</u> )	( <u>292,138</u> )
<b>Profit for the year from continuing operations</b>		620,267	438,727
<b>Discontinued operations</b>			
Loss for the year from discontinued operations	35	( <u>13,941</u> )	( <u>17,460</u> )
<b>Profit for the year</b>	36	<u>606,326</u>	<u>421,267</u>
<b>Other comprehensive income</b>			
Gain on revaluation of property		-	210,592
Deferred tax relating to other comprehensive income		<u>1,289</u>	( <u>51,531</u> )
Other comprehensive income for the year, net of tax		<u>1,289</u>	<u>159,061</u>
<b>Total comprehensive income for the year</b>		<u>607,615</u>	<u>580,328</u>
<b>Earnings per stock</b>	38		
<b>From continuing and discontinued operations</b>			
Basic		<u>0.23</u> Cents	<u>0.16</u> Cents
Diluted		<u>0.23</u> Cents	<u>0.16</u> Cents

The Notes on Pages 44 to 105 form an integral part of the financial statements.



**SUPREME VENTURES LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED DECEMBER 31, 2011**

	<u>Note</u>	<u>Share Capital</u> \$'000	<u>Capital Reserves</u> \$'000	<u>Revaluation Reserves</u> \$'000	<u>Retained Earnings</u> \$'000	<u>Total</u> \$'000
Balance at January 1, 2010		<u>1,967,183</u>	<u>62,486</u>	<u>-</u>	<u>1,083,247</u>	<u>3,112,916</u>
Profit for the year		-	-	-	421,267	421,267
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>	<u>159,061</u>	<u>-</u>	<u>159,061</u>
Total comprehensive income for the year		<u>-</u>	<u>-</u>	<u>159,061</u>	<u>421,267</u>	<u>580,328</u>
Dividend paid	41(a)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(369,216)</u>	<u>369,216</u>
Balance at December 31, 2010		<u>1,967,183</u>	<u>62,486</u>	<u>159,061</u>	<u>1,135,298</u>	<u>3,324,028</u>
Profit for the year		-	-	-	606,326	606,326
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>	<u>1,289</u>	<u>-</u>	<u>1,289</u>
Total comprehensive income for the year		<u>-</u>	<u>-</u>	<u>1,289</u>	<u>606,326</u>	<u>607,615</u>
Dividend paid	41(a)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(448,386)</u>	<u>(448,386)</u>
Balance at December 31, 2011		<u>1,967,183</u>	<u>62,486</u>	<u>160,350</u>	<u>1,293,238</u>	<u>3,483,257</u>

The Notes on Pages 44 to 105 form an integral part of the financial statements.

**SUPREME VENTURES LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2011**

	<u>2011</u> \$'000	<u>2010</u> \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit	606,326	421,267
Adjustments for:		
Depreciation of property and equipment	196,731	185,590
Amortisation of intangible assets	26,401	12,586
Write-off of property and equipment	-	7,397
Gain on disposal of property and equipment	( 859)	( 27)
Goodwill written off	14,963	-
Amortisation of other assets	5,019	6,023
Write-off of income tax receivable	10,379	-
Write-off of inventory	-	3,470
Unrealised exchange loss (gain) on long-term liabilities	554	( 10,001)
Exchange (gain) loss on long-term receivable	( 3,965)	16,793
Effect of exchange rate changes on cash and cash equivalents	( 1,921)	3,953
Other gains and losses	-	15,056
Impairment loss recognised on trade receivables	5,971	11,880
Interest income	( 47,105)	( 72,494)
Interest expenses	48,600	41,608
Income tax expenses	<u>426,714</u>	<u>284,321</u>
Operating cash flow before movement in working capital	1,287,808	927,422
Decrease (increase) in operating assets		
Inventories	32,970	( 44,810)
Trade and other receivables	( 40,354)	( 129,365)
(Decrease) increase in operating liabilities		
Trade and other payables	( 56,164)	122,568
Prizes liabilities	<u>43,077</u>	<u>10,087</u>
Cash generated by operations	1,267,337	885,902
Income tax paid	( 220,635)	( 506,184)
Interest paid	<u>( 48,647)</u>	<u>( 39,039)</u>
Cash provided by operating activities	<u>998,055</u>	<u>340,679</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	( 139,883)	( 166,142)
Acquisition of intangible assets	( 84,557)	( 24,344)
Proceeds on disposal of property and equipment	6,101	249
Long-term receivables	63,440	-
Interest received	<u>45,698</u>	<u>55,385</u>
Cash used in investing activities	<u>( 109,201)</u>	<u>( 134,852)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	( 448,386)	( 369,216)
Loans received	230,000	299,000
Loans repaid	( 111,004)	( 247,507)
Lease obligations paid	<u>( 26,829)</u>	<u>( 25,482)</u>
Cash used in financing activities	<u>( 356,219)</u>	<u>( 343,205)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	532,635	( 137,378)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	883,921	1,025,252
Effect of exchange rate changes on the balance of cash held in foreign currency	<u>1,921</u>	<u>( 3,953)</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>1,418,477</u>	<u>883,921</u>

The Notes on Pages 44 to 105 form an integral part of the financial statements.

**SUPREME VENTURES LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AT DECEMBER 31, 2011**

	<u>Notes</u>	<u>2011</u> \$'000	<u>2010</u> \$'000
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
Property and equipment	5	238,265	267,883
Goodwill	6	189,953	189,953
Other intangible assets	7	1,920	1,952
Investment in subsidiaries	8	1,853,568	1,668,531
Long-term receivable	9	894,943	941,594
Available-for-sale investments	10	<u>1,883</u>	<u>1,883</u>
		<u>3,180,532</u>	<u>3,071,796</u>
<b>Current assets</b>			
Income tax recoverable		2,576	-
Inventories	14	90,715	120,854
Dividend receivable	41	18,137	-
Trade and other receivables	15	193,002	171,877
Due from related parties	16	141,443	220,221
Cash and bank balances	17	<u>164,454</u>	<u>72,789</u>
		<u>610,327</u>	<u>585,741</u>
<b>Total assets</b>		<u>3,790,859</u>	<u>3,657,537</u>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Shareholders' Equity</b>			
Share capital	18	1,967,183	1,967,183
Capital reserve	19	62,486	62,486
Revaluation reserve	20	38,180	37,733
Retained earnings	37	<u>1,018,162</u>	<u>1,024,593</u>
		<u>3,086,011</u>	<u>3,091,995</u>
<b>Non-current liabilities</b>			
Long-term liabilities	21	189,444	154,000
Deferred tax liability	12	<u>37,608</u>	<u>36,372</u>
		<u>227,052</u>	<u>190,372</u>
<b>Current liabilities</b>			
Trade and other payables	22	302,386	281,405
Current portion of long-term liability	21	175,410	91,856
Income tax payable		<u>-</u>	<u>1,909</u>
		<u>477,796</u>	<u>375,170</u>
<b>Total equity and liabilities</b>		<u>3,790,859</u>	<u>3,657,537</u>

The Notes on Pages 44 to 105 form an integral part of the financial statements.

The financial statements on Pages 36 to 105 were approved and authorised for issue by the Board of Directors on February 28, 2012 and are signed on its behalf by:



Paul Hoo - Chairman



Brian George - President and CEO

**SUPREME VENTURES LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED DECEMBER 31, 2011**

	<u>Notes</u>	<u>2011</u> \$'000	<u>2010</u> \$'000
Revenue	24	2,463,678	2,272,524
Direct expenses	26	(2,193,524)	(1,925,566)
Gross profit		270,154	346,958
Dividend income from wholly-owned subsidiary	41(b)	475,000	620,000
Operating expenses	27	( 334,535)	( 268,706)
Profit from operations		410,619	698,252
Interest income		92,069	75,824
Net foreign exchange gain (loss)	29	1,325	4,094
Finance costs	30	( 44,449)	( 33,330)
Other gains and losses	31	( 14,963)	( 15,056)
<b>PROFIT BEFORE TAXATION</b>	32	444,601	729,784
Taxation	34	( 2,646)	( 59,434)
<b>PROFIT FOR THE YEAR</b>	36	<u>441,955</u>	<u>670,350</u>
<b>Other comprehensive income</b>			
Gain on revaluation of property		-	55,600
Deferred tax relating to other comprehensive income		<u>447</u>	( 17,867)
Other comprehensive income for the year, net of tax		<u>447</u>	<u>37,733</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><u>442,402</u></u>	<u><u>708,083</u></u>

The Notes on Pages 44 to 105 form an integral part of the financial statements.

**SUPREME VENTURES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED DECEMBER 31, 2011**

	<u>Note</u>	<u>Share Capital</u> \$'000	<u>Capital Reserve</u> \$'000	<u>Revaluation Reserve</u> \$'000	<u>Retained Earnings</u> \$'000	<u>Total</u> \$'000
Balance at January 1, 2010		<u>1,967,183</u>	<u>62,486</u>	<u>-</u>	<u>723,459</u>	<u>2,753,128</u>
Profit for the year		-	-	-	670,350	670,350
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>	<u>37,733</u>	<u>-</u>	<u>37,733</u>
Total comprehensive income for the year		<u>-</u>	<u>-</u>	<u>37,733</u>	<u>670,350</u>	<u>708,083</u>
Dividend paid	41(a)	<u>-</u>	<u>-</u>	<u>-</u>	( 369,216)	( 369,216)
Balance at December 31, 2010		<u>1,967,183</u>	<u>62,486</u>	<u>37,733</u>	<u>1,024,593</u>	<u>3,091,995</u>
Profit for the year		-	-	-	441,955	441,955
Other comprehensive income for the year, net of income tax		<u>-</u>	<u>-</u>	<u>447</u>	<u>-</u>	<u>447</u>
Total comprehensive income for the year		<u>-</u>	<u>-</u>	<u>447</u>	<u>441,955</u>	<u>442,402</u>
Dividend paid	41(a)	<u>-</u>	<u>-</u>	<u>-</u>	( 448,386)	( 448,386)
Balance at December 31, 2011		<u>1,967,183</u>	<u>62,486</u>	<u>38,180</u>	<u>1,018,162</u>	<u>3,086,011</u>

The Notes on Pages 44 to 105 form an integral part of the financial statements.

**SUPREME VENTURES LIMITED**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2011**

	2011 \$'000	2010 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit	441,955	670,350
Adjustment for:		
Depreciation of property and equipment	39,871	45,878
Acquisition of property and equipment from subsidiary	( 2,617)	-
Unrealised exchange (gain) loss (net)	49	( 5,521)
Dividend income	(475,000)	(620,000)
Impairment of investment in subsidiary	14,963	-
Write-off income tax recoverable	10,379	-
Impairment of available-for-sale investment	-	15,056
Amortisation of intangible assets	840	684
Effect of exchange rate changes on cash and cash equivalents	( 404)	190
Write-off of inventory	-	3,470
Interest income	( 92,069)	( 75,824)
Interest expenses	44,449	33,330
Income tax expenses	<u>2,646</u>	<u>59,434</u>
Operating cash flows before movement in working capital	( 14,938)	127,047
Decrease (increase) in inventory	30,139	( 47,990)
Decrease (increase) in trade and other receivables	14,647	( 47,802)
Decrease in due from related parties	78,778	115,767
Decrease in trade and other payables	<u>20,981</u>	<u>37,369</u>
Cash generated by operations	129,607	184,391
Interest paid	( 44,496)	( 30,761)
Income tax paid	<u>( 5,448)</u>	<u>( 93,580)</u>
Cash provided by operating activities	<u>79,663</u>	<u>60,050</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	92,069	76,066
Acquisition of property and equipment	( 7,636)	( 453)
Acquisition of intangible asset	( 808)	( 2,521)
Long-term receivable	500	(437,539)
Investment in subsidiary	<u>(200,000)</u>	<u>( 70,000)</u>
Cash (used in) investing activities	<u>(115,875)</u>	<u>(434,447)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend received	456,863	620,000
Dividend paid	(448,386)	(369,216)
Loan received	230,000	299,000
Loan repaid	<u>(111,004)</u>	<u>(206,781)</u>
Cash provided by financing activities	<u>127,473</u>	<u>343,003</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	91,261	( 31,394)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	72,789	104,373
Effect of exchange rate charges on the balance of cash held in foreign currencies	<u>404</u>	<u>( 190)</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>164,454</u>	<u>72,789</u>

The Notes on Pages 44 to 105 form an integral part of the financial statements.



**SUPREME VENTURES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

**1 IDENTIFICATION**

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

The main activities of the company 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:

<u>Name of Company</u>	<u>Principal Activity</u>	<u>Percentage Ownership</u> %
Supreme Ventures Lotteries Limited		
and its subsidiary:	Lottery operations	100
Bingo Investments Limited	Lottery operations - inactive	100
Prime Sports (Jamaica) Limited		
and its wholly-owned subsidiary:	Gaming operations	100
Chillout Ventures Limited	Gaming operations (not yet in operation)	100
Supreme Ventures Financial Services Limited	Foreign exchange dealer services/remittance	100
Big 'A' Track 2003 Limited	Sports betting	100

Supreme Ventures Lotteries Limited, Prime Sports (Jamaica) Limited and Big 'A' Track 2003 Limited are licensed by the Betting, Gaming and Lotteries Commission to carry out their respective activities.

Supreme Venture Financial Services Limited provides cambio and remittance services under licence by the Bank of Jamaica. (See also Note 35).

In addition to the entities above, the Group also includes the following entities which have been put into members' voluntary liquidation:

- Jamaica Lottery Company Limited
- Village Square Entertainment Limited
- Coral Cliff Entertainment Limited

The liquidation process of these entities has not yet been completed.

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

**2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)**

**2.1 *New and revised Standards and Interpretations affecting the reported financial performance and/or financial position or disclosure***

There were no Standards or Interpretations effective in the current year that affected the presentations or disclosures in the financial statements or the reported financial performance or position.

Details of other new and revised Standards and Interpretations applied in the financial statements but which had no effect on the amounts reported are set out in Note 2.2.

## 2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

### 2.2 *New and revised IFRSs and Interpretations applied with no material effect on the financial statements*

- Amendments to IFRS 3 Business Combinations - As part of *Improvements to IFRSs* issued in 2010, IFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards. In addition, IFRS 3 was amended to provide more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date ('market-based measure'). This amendment has not resulted in any change in the financial statements of the Group as there is no non-controlling interest held or acquired.
- IFRS 7 Financial Instruments: Disclosures - The amendment encourages qualitative disclosures in the context of the quantitative disclosure required to help users to form an overall picture of the nature and extent of risks arising from financial instruments. It also clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated loans. The application of the amendments has not had a material effect on the Group's financial statements.
- Amendments to IAS 1 *Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)* - The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. The Group has chosen to continue such an analysis in the notes to the consolidated financial statements, with a single-line presentation of other comprehensive income in the consolidated statement of changes in equity.
- IAS 24 *Related Party Disclosures* - The amendments to the standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Company and its subsidiaries are not Government related entities. The application of the amendments has had no impact on the Group's financial statements.
- IAS 27 Consolidated and Separate Financial Statements - The amendment clarifies that the amendments made to IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures as a result of IAS 27(2008) should be applied prospectively (with the exception of paragraph 35 of IAS 28 and paragraph 46 of IAS 31, which should be applied retrospectively). The application of the amendments has not had a material effect on the Group's financial statements.
- Amendments to IAS 32 *Classification of Rights Issues* - The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.

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

**2.2 *New and revised IFRSs and Interpretations applied with no material effect on the financial statements (Cont'd)***

- IAS 34 Interim Financial Reporting was amended to provide a clarification around significant events and transactions to be disclosed in interim financial reports. The amendment emphasises that these interim disclosures should update the relevant information presented in the most recent annual financial report. The amendment also clarifies how to apply this principle in respect of financial instruments and their fair values.
- IFRIC 13 Customer Loyalty Programmes - The amendment Clarifies that the 'fair value' of award credits should take into account the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale and any expected forfeitures. The application of the amendments has had no effect on the Group's financial statements as such programmes are not offered.
- Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement - IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments has had no effect on the Group's financial statements as the Group does not have a defined benefit pension plan.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss.

The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the company has not entered into any transactions of this nature.

**2.3 *New and revised IFRSs and Interpretations in issue but not yet effective***

At the date of authorisation of these financial statements, the following new Standards and Interpretations and amendments to those in issue were not yet effective or early adopted for the financial period being reported upon:

Effective for annual periods  
beginning on or after

New Standards

IFRS 9	Financial Instruments	
	- Classification and Measurement of financial assets	January 1, 2015
	- Accounting for financial liabilities and derecognition	January 1, 2015
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosures of Interest in Other Entities	January 1, 2013
IFRS 13	Fair Value Measurement	January 1, 2013

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

**2.3 New and revised IFRSs and Interpretations in issue but not yet effective (Cont'd)**

		Effective for annual periods beginning on or after
<u>Revised Standards</u>		
IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 1, 2012
IAS 12	Income taxes - Limited scope amendment (recovery of underlying assets)	January 1, 2012
IFRS 1	First-time Adoption of International Financial Reporting Standards: - Replacement of "fixed dates" for certain exceptions with the "date of transition to IFRS" - Additional exception for entities ceasing to suffer from severe hyperinflation	July 1, 2011 July 1, 2011
IFRS 7	Financial Instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets - Amendments requiring disclosures about the initial application of IFRS 9 - Amendments enhancing disclosures about off-setting of financial assets and financial liabilities	July 1, 2011 (i) (ii)
IAS 19	Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 1, 2013
IAS 27	Consolidated and Separate Financial Statements - Reissued as IAS 27 <i>Separate Financial Statements</i>	January 1, 2013
IAS 28	Investments in Associates - Reissued as IAS 28 <i>Investments in Associates and Joint Ventures</i>	January 1, 2013
IAS 32	Financial Instruments: Presentation - Amendments to application guidance on the offsetting of financial assets and financial liabilities	January 1, 2014
<u>New and Revised Interpretations</u>		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

- (i) Annual periods beginning on or after January 1, 2015 (or otherwise when IFRS 9 is first applied)  
(ii) Annual periods beginning on or after January 1, 2013 and interim periods within those periods

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

2.3 *New and revised IFRSs and Interpretations in issue but not yet effective (Cont'd)*

Except as noted below, the Board of Directors and management anticipate that the adoption of these standards and interpretations in the future periods at their effective dates will not be relevant to the financial statements of the Group in the periods of initial application.

- IFRS 7 (Revised) *Financial Instruments: Disclosures* (effective for annual periods beginning on or after July 1, 2011). Enhanced Derecognition Disclosure Requirements - The IASB introduced enhanced disclosure requirements to IFRS 7 as part of its comprehensive review of off-balance sheet activities. The amendments are designed to ensure that users of financial statements are able to more readily understand transactions involving the transfer of financial assets (for example, securitisations), including the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. Disclosures are not required for comparative periods before the date of initial application of the amendments. On adoption, the amendments are not expected to have an impact on the financial statements.
- *IFRS 9 Financial Instruments* (effective for annual periods beginning on or after January 1, 2015 with earlier application permitted) issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are as follows:

- (i) IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- (ii) The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The Group anticipates that on adoption, the standard is not likely to have a significant impact on the amounts reported.

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

2.3 *New and revised IFRSs and Interpretations in issue but not yet effective (Cont'd)*

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five Standards are described below.

- IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-12 *Consolidation - Special Purpose Entities* has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.
- IFRS 11 replaces IAS 31 *Interests in Joint Ventures*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers* has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.
- In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.
- IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013. The Group has not yet assessed the impact of these Standards on adoption.



## 2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Cont'd)

### 2.3 *New and revised IFRSs and Interpretations in issue but not yet effective (Cont'd)*

- IFRS 13 *Fair Value Measurement* (effective for annual periods beginning on or after January 1, 2013, with earlier application permitted) establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The directors anticipate that the application of the new Standard will not affect the amounts reported in the financial statements but may result in more extensive disclosures.

- The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments to IAS 1 will result in the presentation of items of other comprehensive income being modified accordingly when the amendments are applied in the future accounting periods.

## 3 SIGNIFICANT ACCOUNTING POLICIES

### 3.1 **Statement of compliance**

The Group's financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) and the Companies Act, 2004 of Jamaica.

### 3.2 **Basis of preparation**

The Group's financial statements have been prepared on the historical cost basis except for the revaluation of freehold land and buildings. Historical cost is generally based on the fair value of the consideration given in exchange of assets. 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.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

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

#### 3.3 Basis of consolidation (Cont'd)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

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

##### 3.3.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the Group loses control of a subsidiary, the gain or loss is recognised in the profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as the company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

#### 3.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements, are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payments*; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Noncurrent Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

#### 3.4 Business combinations (Cont'd)

Goodwill is measured, as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates *in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The policy described above is applied to all business combinations that take place on or after January 1, 2010.

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

**3.5 Property and equipment**

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated 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 which would be determined using fair values at the end of the reporting period.

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

Property in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets commences when the assets are ready for their intended use.

Depreciation on revalued buildings is recognised in 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.

Freehold land is not depreciated.

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

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 the end of each reporting period, 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.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any 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.

**3.6 Goodwill**

Goodwill arising on the acquisition of a business is carried at cost as established as of the date of the acquisition of the business (see 3.4 above) less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

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

**3.6 Goodwill (Cont'd)**

A cash-generating unit to which goodwill has been allocated is 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 its carrying amount, 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 based on the carrying amount of each asset in the unit. An impairment loss for goodwill is recognised directly in profit or loss in the consolidated Statement of Comprehensive Income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**3.7 Intangible assets**

**3.7.1 Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

**3.7.2 Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

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

**3.7.3 Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

**3.8 Impairment of tangible and intangible assets other than goodwill**

At the end of each reporting period, 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, corporate assets are also allocated to cash generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

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

**3.8 Impairment of tangible and intangible assets other than goodwill (Cont'd)**

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. An impairment loss is recognised immediately in profit or loss, 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 of the impairment loss is treated as a revaluation increase.

**3.9 Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

**3.10 Financial assets**

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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

**3.10.1 Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivable (including long-term trade and other receivables related party balances and cash and bank balances) 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.

**3.10.2 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, to the net carrying amount on initial recognition.



3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.10 *Financial assets (Cont'd)*

3.10.3 Available-for-sale investments (AFS financial assets)

AFS financial assets are non-derivative that are either designated as AFS or are not classified as loans and receivables. The Group has investments in unlisted shares that are not traded in an active market but are classified as AFS financial assets and stated at fair value at the end of each reporting period, except where fair value cannot be reliably determined, they are stated at cost. Fair value is determined in the manner described in Note 43.8. Gains and losses arising from changes in fair value are recognized directly in equity, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit and loss. Where the investment is disposed of or is determined to be impaired the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

Dividends on AFS equity instruments are recognised in profit and loss when the Group's right to receive the dividends is established.

3.10.4 Impairment of financial assets

Financial assets are assessed for indication of impairment at the end of each reporting period. Financial assets are considered to be 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 affected.

For AFS equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are in addition assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 7 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.10 *Financial assets (Cont'd)*

3.10.4 Impairment of financial assets (Cont'd)

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 statement of comprehensive income.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, 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 recognised, the previously recognised impairment loss is reversed through profit or loss 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 recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit and loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an extent occurring after the recognition of the impairment loss.

3.10.5 Derecognition of financial assets

The Group derecognises 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 recognises 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 recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

**3.11 Financial liabilities and equity instruments**

**3.11.1 Classification as debt or equity**

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**3.11.2 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.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

**3.11.3 Financial liabilities**

Financial liabilities of the Group are classified as other financial liabilities.

Other financial liabilities (including borrowings, trade and other payables and prize liabilities) are subsequently measured at amortised cost using the effective interest method.

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 (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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**3.11.4 Derecognition of financial liabilities**

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying values of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**3.12 Investment 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.

The Group records its interest in joint venture using the equity method. Under the equity method investment in joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of profit or loss after the date of acquisition.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.13 Taxation

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

3.13.1 Current tax

The tax currently payable is based on taxable profits for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the end of the reporting period.

3.13.2 Deferred tax

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised 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 the end of the reporting period 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 in which the liability is settled or the asset realised based on tax rates (and tax laws) that have been enacted by the end of the reporting period. 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.

3.13.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.14 Other assets

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

3.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in, first-out basis. Net realisable 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)**

**3.16 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**3.17 Revenue**

Revenue represents the gross proceeds of the lottery games, Cash Pot, Lucky 5, Dollaz, Pick 3, Lotto, Prime Time Bingo, Pick 2, Super Lotto and Instant Games, pin code sales, income earned from remittance and foreign exchange dealer services, sports betting and proceeds from hospitality and gaming operations by the Group. Revenue is recognised as follows:

**3.17.1 Lottery**

Ticket sales - lottery games are sold to the public by contracted retail agents. Revenue is recognised 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.

**3.17.2 Gaming** - Revenue is recorded based on the cash value of tokens cleared from the drop box (drop tokens), roulette credits sold to customers, the cash bills cleared from the bill receptor (drop cash), the payouts made to customers and the net movement in the machines' token stock levels.

**3.17.3 Hospitality**

Hospitality and related services - revenue is recognised when the service is provided.

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

**3.17 Revenue (Cont'd)**

**3.17.4 Financial services**

Revenue for remittance services - revenue is recognised at the point of receipt of funds for remittance by MoneyGram International - (a sent fee) and at the point of payout by the agents - (commission income).

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

**3.17.5 Pin codes**

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

**3.17.6 Sports Betting**

Revenue represents the gross sales of the bets taken on international sporting events at all branches, net of refunds.

**3.17.7 Interest revenue**

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

**3.18 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. Segments 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 organised into the following primary segments:

- (a) Lottery
- (b) Gaming and hospitality
- (c) Sports betting
- (d) Pin codes and other

During the year the Group disposed of its financial services segment.

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

**3.19      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 recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

**3.20      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 recognised 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 statement of financial position 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 recognised 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 recognised as an expense in the period in which they are incurred.

**3.21      Dividends**

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

**3.22      Retirement benefit costs**

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

**3.23      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 recognised in profit or loss in the period in which they are incurred.



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 recognised 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 recognised in the financial statements.

**Goodwill**

As described in Note 6 to the financial statements goodwill arising on acquisition at the date of the statement of financial position amounts to \$571.6 million. The directors and management have carried out an assessment and have made a judgement that goodwill that exists at the reporting date is not impaired, and no adjustments have been made to recognise any losses.

**Deferred tax assets**

As described in Note 12, the financial statements include a deferred tax assets of the Group of \$194.3 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 reorganisation plans and projections of the Group, the subsidiary currently operating at a loss will return to profitability and therefore the deferred tax asset is realisable 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.

**Income taxes**

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were originally recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made (see Notes 12 and 34).

**SUPREME VENTURES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**5 PROPERTY AND EQUIPMENT**

	The Group												
	Freehold Land (At Valuation) \$'000	Freehold Buildings (At Valuation) \$'000	Leasehold Buildings \$'000	Leasehold Improvements \$'000	Machinery & Equipment \$'000	Video Lottery Terminal Equipment \$'000	Furniture, Fixtures & Equipment \$'000	Computer Equipment \$'000	Motor Vehicles \$'000	Arts & Paintings \$'000	Signs & Posters \$'000	Capital Work in Progress \$'000	Total \$'000
<b>Cost/Valuation</b>													
Balance at January 1, 2010	133,000	869,980	120,348	297,894	218,522	484,570	416,341	21,296	84,992	2,363	24,928	6,097	2,680,331
Revaluation increase	56,000	67,120	-	-	-	-	-	-	-	-	-	-	123,120
Additions	-	-	-	13,811	1,108	-	29,085	5,091	-	-	96	116,951	166,142
Asset write-off	-	-	-	-	( 14,594)	( 17,089)	-	-	-	-	-	-	( 31,683)
Transfers	-	-	-	36,106	35,456	38,792	12,694	-	-	-	-	(123,048)	-
On disposals	-	-	-	-	( 222)	-	-	-	-	-	-	-	( 222)
Balance at December 31, 2010	189,000	937,100	120,348	347,811	240,270	506,273	458,120	26,387	84,992	2,363	25,024	-	2,937,688
Additions	48,128	-	-	12,159	4,918	5,976	17,789	1,254	46,562	-	-	3,097	139,883
On disposals	-	-	-	-	-	-	-	-	(11,481)	-	-	-	( 11,481)
Balance at December 31, 2011	237,128	937,100	120,348	359,970	245,188	512,249	475,909	27,641	120,073	2,363	25,024	3,097	3,066,090
<b>Accumulated Depreciation</b>													
Balance at January 1, 2010	-	66,261	6,519	97,945	178,822	185,848	225,907	18,592	31,858	-	24,851	-	836,603
Depreciation expense	-	21,250	3,008	30,539	22,430	69,345	20,674	2,781	15,524	-	39	-	185,590
Eliminated on revaluation	-	( 87,511)	-	-	-	-	-	-	-	-	-	-	( 87,511)
Asset write-off	-	-	-	-	( 9,137)	( 15,149)	-	-	-	-	-	-	( 24,286)
Balance at December 31, 2010	-	-	9,527	128,484	192,115	240,044	246,581	21,373	47,382	-	24,890	-	910,396
Depreciation expense	-	23,428	3,009	35,237	23,410	73,074	21,343	3,070	14,093	-	67	-	196,731
On disposals	-	-	-	-	-	-	-	-	( 6,239)	-	-	-	( 6,239)
Balance at December 31, 2011	-	23,428	12,536	163,721	215,525	313,118	267,924	24,443	55,236	-	24,957	-	1,100,888
Balance at December 31, 2011	237,128	913,672	107,812	196,249	29,663	199,131	207,985	3,198	64,837	2,363	67	3,097	1,965,202
December 31, 2010	189,000	937,100	110,821	219,327	48,155	266,229	211,539	5,014	37,610	2,363	134	-	2,027,290

**SUPREME VENTURES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**5 PROPERTY AND EQUIPMENT (Cont'd)**

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

Freehold buildings	- 40 years
Leasehold buildings and improvements	- Over the life of the leases
Machine and equipment	- 10 years
Video Lottery Terminal 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	- 5-10 years

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

Freehold land and buildings are carried at fair value.

In the current and prior year an independent valuation of the Group's and Company's land and buildings were performed by Property Consultants Limited to determine the fair values. The valuations, which conform to International Valuation Standards were determined by reference to the open market values for similar properties. The fair value as at December 31, 2011 remained the same as December 31, 2010.

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Freehold land	24,515	24,515	5,114	5,114
Freehold buildings	<u>146,480</u>	<u>151,474</u>	<u>22,287</u>	<u>23,184</u>
	<u>170,995</u>	<u>175,989</u>	<u>27,401</u>	<u>28,298</u>

**SUPREME VENTURES LIMITED**  
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**5 PROPERTY AND EQUIPMENT (Cont'd)**

	The Company											
	Freehold Land (At (Valuation) \$'000	Freehold Buildings (At (Valuation) \$'000	Leasehold Improvements \$'000	Video Lottery Terminal Equipment \$'000	Machinery & Equipment \$'000	Furniture, Fixtures and Office Equipment \$'000	Computer Equipment \$'000	Motor Vehicles \$'000	Roadway and Fencing \$'000	Art and Paintings \$'000	Signs and Posters \$'000	Total \$'000
<b>Cost/Valuation</b>												
Balance at January 1, 2010	13,000	15,000	22,417	327,475	193,871	46,580	16,459	16,977	1,130	2,363	24,642	679,914
Revaluation increase	2,000	52,100	-	-	-	-	-	-	-	-	-	54,100
Addition	-	-	-	-	-	453	-	-	-	-	-	453
Balance at December 31, 2010	15,000	67,100	22,417	327,475	193,871	47,033	16,459	16,977	1,130	2,363	24,642	734,467
Revaluation increase	-	-	2,617	-	-	-	-	-	-	-	-	2,617
Transfer from subsidiary	-	-	818	1,505	-	3,589	710	1,014	-	-	-	7,636
Additions	-	-	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2011	15,000	67,100	25,852	328,980	193,871	50,622	17,169	17,991	1,130	2,363	24,642	744,720
<b>Accumulated Depreciation</b>												
Balance at January 1, 2010	-	1,000	22,028	114,563	192,474	37,157	16,380	13,663	299	-	24,642	422,206
Depreciation expense	-	500	261	39,518	951	2,617	79	1,924	28	-	-	45,878
Eliminated on revaluation	-	(1,500)	-	-	-	-	-	-	-	-	-	(1,500)
Balance at December 31, 2010	-	-	22,289	154,081	193,425	39,774	16,459	15,587	327	-	24,642	466,584
Depreciation expense	-	1,677	126	33,841	181	2,532	128	1,357	29	-	-	39,871
Balance at December 31, 2011	-	1,677	22,415	187,922	193,606	42,306	16,587	16,944	356	-	24,642	506,455
<b>Balance at</b>												
December 31, 2011	15,000	65,423	3,437	141,058	265	8,316	582	1,047	774	2,363	-	238,265
December 31, 2010	15,000	67,100	128	173,394	446	7,259	-	1,390	803	2,363	-	267,883

**SUPREME VENTURES LIMITED**  
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**5 PROPERTY AND EQUIPMENT (Cont'd)**

Annual depreciation rates are based on the following useful lives:

Freehold buildings	- 40 years
Leasehold improvements	- Over the life of the lease
Video Lottery Terminal equipment	- 5-10 years
Furniture, fixtures and office equipment	- 10 years
Computer equipment	- 3 - 5 years
Motor vehicles	- 5 years
Machinery equipment	- 10 years
Signs and posters	- 5-10 years

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

**6 GOODWILL**

	The Group		The Company	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Acquired goodwill	<u>571,681</u>	<u>586,644</u>	<u>189,953</u>	<u>189,953</u>

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	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Gaming operations	381,728	381,728	-	-
Lottery operations	189,953	189,953	189,953	189,953
Financial services	-	<u>14,963</u>	-	-
	<u>571,681</u>	<u>586,644</u>	<u>189,953</u>	<u>189,953</u>

Management has determined that the remaining goodwill balance at December 31, 2011 is not impaired based on assessments of the recoverable amounts of the CGUs. The assessments were carried out as described below.

Gaming operation

The recoverable amount of this cash generating unit which represents the operations of the gaming lounges is determined based on value in use calculation which uses cash flow projections based on financial budgets approved by the directors, covering a period of seven years. A discount rate of 10% (2010: 12% per annum) was used in the calculation.

Cash flow projections during the budget period are based on improved net cash inflows due to operational improvements at the gaming lounges. The cash flows beyond the seven year period have been extrapolated using a steady 5% (2010: 5%) per annum growth rate in estimating the continuing value of the cash generating unit. The directors believe that any reasonably possible change in key assumption on which the recoverable amount is based would not cause the aggregate carrying value to exceed the aggregate recoverable amount of the cash generating unit.

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**6 GOODWILL (Cont'd)**

Lottery operation

This cash generating unit represents certain lottery games promoted by the Group. These lottery games are profitable and the assumption that these games will continue to be profitable, formed the basis for management's assessment.

Financial services

This cash generating unit represents the activities of the subsidiary, Supreme Ventures Financial Services Limited. The cambio and MoneyGram operations of this entity were discontinued during the financial year, which formed the basis for management's assessment, resulting in a write off of the goodwill. (See also Note 35).

**7 OTHER INTANGIBLE ASSETS**

	<u>The Group</u>				<u>The Company</u>
	Computer <u>Software</u>	<u>Licences</u>	Software Usage <u>Rights</u>	<u>Total</u>	Computer <u>Software</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost</b>					
Balance at					
January 1, 2010	34,777	49,044	-	83,821	6,298
Additions	<u>24,344</u>	<u>-</u>	<u>-</u>	<u>24,344</u>	<u>2,521</u>
Balance at					
December 31, 2010	59,121	49,044	-	108,165	8,819
Additions	<u>3,999</u>	<u>-</u>	<u>80,558</u>	<u>84,557</u>	<u>808</u>
Balance at					
December 31, 2011	<u>63,120</u>	<u>49,044</u>	<u>80,558</u>	<u>192,722</u>	<u>9,627</u>
<b>Accumulated</b>					
<b>Amortisation</b>					
Balance at					
January 1, 2010	22,280	-	-	22,280	6,183
Amortisation expense	<u>7,355</u>	<u>5,231</u>	<u>-</u>	<u>12,586</u>	<u>684</u>
Balance at					
December 31, 2010	29,635	5,231	-	34,866	6,867
Amortisation expense	<u>13,114</u>	<u>5,231</u>	<u>8,056</u>	<u>26,401</u>	<u>840</u>
Balance at					
December 31, 2011	<u>42,749</u>	<u>10,462</u>	<u>8,056</u>	<u>61,267</u>	<u>7,707</u>
<b>Balance at</b>					
December 31, 2011	<u>20,371</u>	<u>38,582</u>	<u>72,502</u>	<u>131,455</u>	<u>1,920</u>
December 31, 2010	<u>29,486</u>	<u>43,813</u>	<u>-</u>	<u>73,299</u>	<u>1,952</u>

Computer software

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

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**7 OTHER INTANGIBLE ASSETS (Cont'd)**

Licences

Licences represent cost of acquisitions through subsidiaries as detailed below:

	<u>The Group</u>	
	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>
Chillout Ventures Limited	26,155	26,155
Amortisation	(10,462)	( 5,231)
	15,693	20,924
Big 'A' Track 2003 Limited	<u>22,889</u>	<u>22,889</u>
	<u>38,582</u>	<u>43,813</u>

Chillout Ventures Limited has a licence to promote gaming operations. The cost of this licence is being amortised over the estimated useful life which is deemed to be five years.

Big 'A' Track 2003 Limited holds permit to promote sports betting. The cost of this licence will be amortised over its useful life of five years commencing 2012.

Software usage rights

This comprises the one-time software user rights fee paid to Intralot Jamaica Limited related to sports betting. The amount is amortised over the life of the contract, which is 10 years.

**8 INVESTMENT IN SUBSIDIARIES**

8.1 Investments in subsidiaries at cost include:

	<u>The Company</u>	
	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>
Supreme Ventures Lotteries Limited (see 8.2 below)	1,000	1,000
Supreme Ventures Financial Services Limited (see 8.3 below)	5,760	20,723
Jamaica Lottery Holdings Limited (see 8.3 below)	750	750
Big 'A' Track 2003 Limited (see 8.4 below)	322,889	122,889
Prime Sports (Jamaica) Limited (see 8.5 below)	<u>1,523,169</u>	<u>1,523,169</u>
	<u>1,853,568</u>	<u>1,668,531</u>

8.2 The company has signed a guarantee for an amount of J\$500 million on behalf of the subsidiary 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 licensee is required to have an equity capitalisation of not less than \$500 million.

**SUPREME VENTURES LIMITED**  
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**INVESTMENT IN SUBSIDIARIES (Cont'd)**

- 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 in members' voluntary liquidation. At reporting 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 Big 'A' Track 2003 Limited

	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Balance January 1	122,889	52,889
Capital injection	<u>200,000</u>	<u>70,000</u>
Balance December 31	<u>322,889</u>	<u>122,889</u>

- (i) By an ordinary resolution dated August 9, 2010, the ordinary share capital of the subsidiary was increased to 100,000,000 shares of no par value by the creation of 70,000,000 new ordinary shares of no par value. 70,000,000 ordinary shares were allotted to the company as full consideration for J\$70 million in cash.
- (ii) By an ordinary resolution dated March 25, 2011, the ordinary share capital of the subsidiary was increased to 300,000,000 shares of no par value by the creation of 300,000,000 new ordinary shares of no par value. 200,000,000 ordinary shares were allotted to the company as full consideration for J\$200 million in cash.

- 8.5 Investment in Prime Sports (Jamaica) Limited

	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Balance January 1	1,523,169	1,173,169
Capital injection	<u>-</u>	<u>350,000</u>
December 31	<u>1,523,169</u>	<u>1,523,169</u>

By an ordinary resolution filed in January 2010, the ordinary share capital of the subsidiary was increased to 1,150,000,000 shares of no par value by the creation of 350,000,000 new ordinary shares of no par value. 350,000,000 ordinary shares were allotted to the company as full consideration for repayment of related party balances of J\$350 million.



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**9 LONG-TERM RECEIVABLES**

9.1 These include:

	The Group		The Company	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
SGL BVI Limited (US\$3,916,713 (2010: US\$4,660,324 (see Note 9.2 below)	338,021	397,496	-	-
Prime Sports (Jamaica) Limited	-	-	-	-
Debentures (see Note 9.3 below)	-	-	557,164	557,664
Loans (see Note 9.4 below)	-	-	<u>438,039</u>	<u>438,039</u>
	338,021	397,496	995,203	995,703
Less: Current portion included in other receivables (Note 15)	( 21,614)	( 70,874)	(100,260)	( 54,109)
Long-term receivables	<u>316,407</u>	<u>326,622</u>	<u>894,943</u>	<u>941,594</u>

9.2 SGL BVI Limited

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

During the year SGL BVI made a payment of US\$760,000 as a part settlement of the outstanding balance. The balance outstanding at December 31, 2011 amounting to US\$3,916,713 is to be serviced under an Electronic Gaming Machine Framework Agreement dated March 3, 2011 between Intralot Caribbean Ventures Limited (Intralot) and the Company and a Project Service Agreement dated March 11, 2011 between SGL BVI and Intralot. Interest will accrue on the outstanding balance at the rate of 3 months LIBOR. Included in the balance outstanding at December 31, 2011 is interest accrued amounting to US\$13,601 (J\$1,173,804).

Based on the repayment plan an amount of \$21.61 million has been determined as the current portion of the outstanding balance at December 31, 2011.

9.3 Prime Sports (Jamaica) Limited - Debenture

Under the scheme of reorganisation and amalgamation 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.

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 31<sup>st</sup> 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 original terms of the debentures required that interest be charged on the principal sum at a variable rate which is 1% below the weighted average yield on Government of Jamaica 6 months Treasury Bills. However, as at January 1, 2010 the interest to be charged on the debentures was renegotiated with the subsidiary and agreed to be at a rate of 8% per annum, reviewed quarterly and to be paid quarterly.

**SUPREME VENTURES LIMITED**  
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**9 LONG-TERM RECEIVABLES (Cont'd)**

9.4 Prime Sports (Jamaica) Limited - Loans

	\$'000
Loan 1 (a below)	243,373
Loan 2 (b below)	<u>194,666</u>
	438,039
Current portion	( <u>99,759</u> )
Long-term portion	<u>338,280</u>

These represent portions of the related party balances due from subsidiary, Prime Sports (Jamaica) Limited as at January 1, 2010 which have been restructured into long-term loan agreements.

	\$'000
(a) The loan is repayable as follows:	
Within one year	22,597
In the second year	11,420
In third to fifth year inclusive	40,270
Later than five years	<u>169,086</u>
	243,373
Less: Current portion (shown under current assets)	( <u>22,597</u> )
Amount due for settlement after 12 months	<u>220,776</u>

The loan is repayable in monthly installments of J\$2,389,130, at interest rate of 8% per annum. The loan is repayable by 2024.

	\$'000
(b) The loan is repayable as follows:	
Within one year	77,162
In the second year	39,922
In third to fifth year inclusive	<u>77,582</u>
	194,666
Less: current portion (shown under current assets)	( <u>77,162</u> )
Amount due for settlement after 12 months	<u>117,504</u>

The loan is repayable in monthly installments of J\$4,281,233, at interest rate 8% per annum. The loan is repayable by 2015.

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**10 AVAILABLE-FOR-SALE INVESTMENTS**

These include:

Unquoted investments

	<u>The Group and The Company</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Balance, January 1	1,883	16,939
Impairment adjustment (see Note 31)	-	(15,056)
Balance, December 31	<u>1,883</u>	<u>1,883</u>

**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 net operating results of the joint venture since the acquisition date are not material and as a result the investment is stated at cost.

**12 DEFERRED TAXATION**

These comprise:

	<u>The Group</u>		<u>The Company</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	196,571	98,844	841	857
Less: Deferred tax liabilities	(135,473)	(90,810)	(38,449)	(37,229)
	<u>61,098</u>	<u>8,034</u>	<u>(37,608)</u>	<u>(36,372)</u>

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Opening balance	8,034	17,572	(36,372)	( 7,203)
(Credited) charged to equity for the year (Note 20)	1,289	(51,531)	447	(17,867)
Credited (charged) to income for the year	<u>51,775</u>	<u>41,993</u>	<u>( 1,683)</u>	<u>(11,302)</u>
Closing balance	<u>61,098</u>	<u>8,034</u>	<u>(37,608)</u>	<u>(36,372)</u>

The amount credited to income for the year in respect of the Group includes \$35.195 million (2010: \$34.176 million) relating to continuing operations (see Note 34).

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

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

**Deferred Tax Assets**

The Group

	<u>Tax Losses</u> \$'000	<u>Vacation Leave Payable</u> \$'000	<u>Interest Payable</u> \$'000	<u>Unrealised Foreign Exchange Losses</u> \$'000	<u>Total</u> \$'000
Balance at January 1, 2010	41,415	613	-	4,258	46,286
Credited (charged) to income for the year	<u>56,164</u>	<u>( 205)</u>	<u>857</u>	<u>(4,258)</u>	<u>52,558</u>
Balance at December 31, 2010	97,579	408	857	-	98,844
Credited (charged) to income for the year	<u>96,732</u>	<u>1,011</u>	<u>( 16)</u>	<u>-</u>	<u>97,727</u>
Balance at December 31, 2011	<u>194,311</u>	<u>1,419</u>	<u>841</u>	<u>-</u>	<u>196,571</u>

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

The Company

	<u>Unrealised Foreign Exchange Loss</u> \$'000	<u>Interest Payable</u> \$'000	<u>Total</u> \$'000
Balance at January 1, 2010	12,759	-	12,759
(Charged) credited to income for the year	<u>(12,759)</u>	<u>857</u>	<u>(11,902)</u>
Balance at December 31, 2010	-	857	857
Charged to income for the year	<u>-</u>	<u>( 16)</u>	<u>( 16)</u>
Balance at December 31, 2011	<u>-</u>	<u>841</u>	<u>841</u>

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

**Deferred Tax Liabilities**

The Group

	Revaluation of <u>Property</u> \$'000	Capital Allowance in Excess of <u>Depreciation</u> \$'000	Intangible <u>Asset</u> \$'000	Finance <u>Lease</u> \$'000	Interest <u>Receivable</u> \$'000	<u>Total</u> \$'000
Balance at						
January 1, 2010	-	14,181	-	14,133	400	28,714
Charged to equity for the year	51,531	-	-	-	-	51,531
Charged (credited) to income for the year	<u>-</u>	<u>( 304)</u>	<u>-</u>	<u>5,566</u>	<u>5,303</u>	<u>10,565</u>
Balance at						
December 31, 2010	51,531	13,877	-	19,699	5,703	90,810
Credited to equity for the year	( 1,289)	-	-	-	-	( 1,289)
Charged (credited) to income for the year	<u>-</u>	<u>20,981</u>	<u>24,167</u>	<u>6,038</u>	<u>(5,234)</u>	<u>45,952</u>
Balance at						
December 31, 2011	<u>50,242</u>	<u>34,858</u>	<u>24,167</u>	<u>25,737</u>	<u>469</u>	<u>135,473</u>

The Company

	Revaluation of <u>Property</u> \$'000	Capital Allowance in Excess of <u>Depreciation</u> \$'000	Interest <u>Receivable</u> \$'000	<u>Total</u> \$'000
Balance at				
January 1, 2010	-	19,881	81	19,962
Charge to equity for the year	17,867	-	-	17,867
Credited to income for the year	<u>-</u>	<u>( 519)</u>	<u>(81)</u>	<u>( 600)</u>
Balance at				
December 31, 2010	17,867	19,362	-	37,229
Credited to equity for the year	( 447)	-	-	( 447)
Charged to income for the year	<u>-</u>	<u>1,646</u>	<u>21</u>	<u>1,667</u>
Balance at				
December 31, 2011	<u>17,420</u>	<u>21,008</u>	<u>21</u>	<u>38,449</u>

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**13 OTHER ASSETS**

	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Balance, January 1	5,019	11,042
Less: Amortisation	<u>(5,019)</u>	<u>( 6,023)</u>
Balance, December 31	<u>-</u>	<u>5,019</u>

The amount represents tokens used in the gaming machines operated at the gaming lounge carried at cost less amortisation over three years.

**14 INVENTORIES**

	<u>The Group</u>		<u>The Company</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Pin codes	90,715	120,854	90,715	120,854
Food and beverage	<u>11,098</u>	<u>13,929</u>	<u>-</u>	<u>-</u>
	<u>101,813</u>	<u>134,783</u>	<u>90,715</u>	<u>120,854</u>

The cost of inventory recognised as an expense during the year for the Group was \$2.14 billion (2010: \$1.85 billion), and for the company was \$2.04 billion (2010: \$1.7 billion).

**15 TRADE AND OTHER RECEIVABLES**

	<u>The Group</u>		<u>The Company</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Trade receivables	329,642	293,767	-	-
Less: Allowances for irrecoverable debts	<u>( 73,471)</u>	<u>( 67,500)</u>	<u>-</u>	<u>-</u>
	256,171	226,267	-	-
Other receivables and prepayments (see Note 15(e))	<u>206,538</u>	<u>260,291</u>	<u>193,002</u>	<u>171,877</u>
	<u>462,709</u>	<u>486,558</u>	<u>193,002</u>	<u>171,877</u>

- (a) Included in trade receivables of the Group are amounts of \$289 million (2010: \$232 million) representing amounts receivable from the agents that support the lottery sales. The average credit periods for these receivables are 7 days. Balances outstanding for over 7 days are considered past due. Where agent balances are outstanding for over 90 days they are classified as delinquent and are provided for in full after 365 days as historical experience is such that receivables that are past due beyond this period are generally not recoverable.

The average credit period for the remaining balance in trade receivables is 30 days.

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

- (b) Trade receivables above include amounts (see aged analysis below) that are past due as at the end of the reporting period but against which the group has not recognised an allowance for doubtful receivable because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or credit enhancement over these balances nor does it have a legal right of off-set against any amounts owed by the Group's counterparty.

		The Group	
		<u>2011</u>	<u>2010</u>
		\$'000	\$'000
(c)	<u>Ageing of past due but not impaired</u>		
	30 - 60 days	-	36
	60 - 90 days	-	209
	Over 90 days	-	-
		<u>-</u>	<u>245</u>
		<u>2011</u>	<u>2010</u>
		\$'000	\$'000
(d)	<u>Movement in allowance for impairment</u>		
	Balance at beginning of year	67,500	55,620
	Impairment losses recognised	<u>5,971</u>	<u>11,880</u>
	Balance at end of year	<u>73,471</u>	<u>67,500</u>

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

- (e) Other receivables includes amounts of \$21.6 million (US\$0.250 million), (2010: \$70.8 million (US\$0.830 million)) for the Group, and \$100.2 million (2010: \$54.1 million) for the company representing the current portion of the long-term receivables (see Note 9). The amount for the Group is recoverable in four quarterly instalments during the year ending December 2012. The amount for the company is recoverable based on an agreed repayment schedule.

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

		The Company	
		<u>2011</u>	<u>2010</u>
		\$'000	\$'000
	Prime Sports (Jamaica) Limited	232,931	124,246
	Supreme Ventures Financial Services Limited	2,761	196
	Big 'A' Track 2003 Limited	21,428	46,551
	Supreme Ventures Lotteries Limited	<u>(115,677)</u>	<u>49,228</u>
		<u>141,443</u>	<u>220,221</u>

**SUPREME VENTURES LIMITED**  
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**17 CASH AND BANK BALANCES**

(a) 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.

(b) The Group

Bank balances of the Group include interest bearing accounts of \$897 million (2010: \$693 million), including US\$ foreign currency deposits of US\$2,408,281 (2010: US\$731,266). Interest rate on J\$ deposits ranged from 1.5% to 6.75% (2010: 1.5% to 6.75%) and on US\$ deposits from 0.15% to 1.25% (2010: 0.15% to 1.0%).

(c) The Company

Bank balances of the company include interest bearing accounts of \$51.09 million (2010: \$6.6 million), including foreign currency deposits of US\$508,801. Interest rate on the J\$ deposits ranges from 1.5% to 4% (2010: .5% to 4%) and interest on US\$ deposits ranges from 0.75% to 1.25%.

**18 SHARE CAPITAL**

	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Stated capital - January 1/December 31	<u>1,967,183</u>	<u>1,967,183</u>
	<u>No. of Shares</u>	<u>No. of Shares</u>
Authorised capital - ordinary stocks at no par value	<u>3,000,000,000</u>	<u>3,000,000,000</u>
Issued capital - ordinary stocks at no par value	<u>2,637,254,926</u>	<u>2,637,254,926</u>

**19 CAPITAL RESERVE**

This includes gains arising on the scheme of reorganisation and amalgamation of subsidiaries within the Group in 2008. The reserve is stated net of costs associated with the reorganisation and amalgamation and capital distributions.

**20 REVALUATION RESERVE**

	<u>The Group</u>		<u>The Company</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Balance at January 1	159,061	-	37,733	-
Increase arising on revaluation of property	-	210,592	-	55,600
Deferred tax liability arising on revaluation	-	( 51,531)	-	(17,867)
Deferred tax liability released to equity	<u>1,289</u>	<u>-</u>	<u>447</u>	<u>-</u>
Balance at December 31	<u>160,350</u>	<u>159,061</u>	<u>38,180</u>	<u>37,733</u>

Balance represents gain on revaluation of freehold land and buildings adjusted for effects of deferred tax. See also Note 5.



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**21 LONG-TERM LIABILITIES**

	<u>The Group</u>		<u>The Company</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
GTECH Global Services Corporation				
Limited US\$ (2010: US\$527,878) (Note 21 (a))	-	45,287	-	45,287
Obligation under finance lease US\$451,811				
(2010: US\$763,712) (Note 21 (b))	39,195	65,519	-	-
Bank of Nova Scotia Jamaica Limited				
(Note 21 (c))	<u>364,854</u>	<u>200,569</u>	<u>364,854</u>	<u>200,569</u>
	<u>404,049</u>	<u>311,375</u>	<u>364,854</u>	<u>245,856</u>
	<u>The Group</u>		<u>The Company</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
These loans are repayable as follows:				
Within one year	214,605	118,614	175,410	91,856
In the second to fifth year inclusive	<u>189,444</u>	<u>192,761</u>	<u>189,444</u>	<u>154,000</u>
	<u>404,049</u>	<u>311,375</u>	<u>364,854</u>	<u>245,856</u>
Included in the statement of financial position as:				
Current liabilities	<u>214,605</u>	<u>118,614</u>	<u>175,410</u>	<u>91,856</u>
Long-term liabilities	<u>189,444</u>	<u>192,761</u>	<u>189,444</u>	<u>154,000</u>

(a) GTECH Global Services Corporation Limited

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. The loan was fully repaid during the year.

(b) 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, when lease expires in 2012.

	<u>Minimum lease payment</u>		<u>Present value of minimum lease payment</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Amounts payable under finance lease:				
Within one year	39,839	30,489	39,195	26,758
In the second to fifth year inclusive	-	<u>39,397</u>	-	<u>38,761</u>
	39,839	69,886	39,195	65,519
Less: Future finance charges	<u>( 644)</u>	<u>( 4,367)</u>	-	-
Present value of lease obligation				
US\$451,811 (2010:US\$763,712)	<u>39,195</u>	<u>65,519</u>	<u>39,195</u>	<u>65,519</u>

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

- (c) Bank of Nova Scotia Jamaica Limited

The loan is repayable as follows:

	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>
Within one year	175,410	46,569
In the second to fifth year	<u>189,444</u>	<u>154,000</u>
	<u>364,854</u>	<u>200,569</u>

The non-revolving J\$ loans obtained from the Bank of Nova Scotia Jamaica Limited (BNS) is repayable in quarterly installments over a period of five years. The interest on these loan ranges from 8.95% to 12.5%.

The BNS facility is secured as follows:

- (i) Corporate guarantee by Prime Sports (Jamaica) Limited supported by first legal mortgage over commercial property located at Gloucester Avenue, Montego Bay in the parish of Saint James.
- (ii) Cash flow support guarantee from Supreme Ventures Lotteries Limited in favour of Supreme Ventures Limited.
- (iii) Adequate peril insurance for the full replacement values over the properties ((i) above) to be held as collateral with benefits ceded to the bank.
- (iv) Corporate Guarantee issued by Supreme Ventures Lotteries Limited stamped for \$468.134 million and to be endorsed by the Betting Gaming and Lotteries Commission (BGLC).
- (v) Hypothecated term deposits stamped to cover \$5.8 million.

**22 TRADE AND OTHER PAYABLES**

	<u>The Group</u>		<u>The Company</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Trade payables	304,808	273,135	211,979	241,336
Service contractor fees	161,749	287,459	8,566	8,719
Contributions payable to CHASE Fund	81,213	64,875	-	-
Contributions payable to Betting, Gaming and Lotteries Commission	16,678	15,262	-	-
Government taxes payable	26,903	26,574	-	-
Other payables and accruals	<u>135,224</u>	<u>115,434</u>	<u>81,841</u>	<u>31,350</u>
	<u>726,575</u>	<u>782,739</u>	<u>302,386</u>	<u>281,405</u>

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**23 PRIZE LIABILITIES**

	The Group	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Local lottery games ((a) below)	113,383	119,388
Multi-jurisdictional lottery game ((b) below)	150,241	101,263
Sports Betting ((c) below)	<u>677</u>	<u>573</u>
	<u>264,301</u>	<u>221,224</u>

(a) Represents the prize liabilities associated with the local lottery games operated under licence by the subsidiary, Supreme Ventures Lotteries Limited (SVLL) including an amount accrued for the advertised jackpot of \$60 million (2009: \$50 million).

(b) SVLL commenced sale of tickets of the multi-jurisdictional Game 'Super Lotto' on August 18, 2009 (see also Note 1). Under the rules of the Super Lotto game, and as agreed by BGLC, a certain percentage of revenue is recognised as a jackpot fund with a corresponding charge to expenses for settlement of the jackpot. The percentage since March 6, 2010 is 39.1136% and the percentage prior to March 6, 2010 was 39.6627%. This is with the intention that over a period of time there will be an accumulation of funds towards the settlement of the jackpot.

By an agreement dated September 23, 2009, (amended March 6, 2010), between GTECH Corporation (GTECH) and SVLL, GTECH has accepted the obligation to fund the unfunded portion of the jackpot liability of SVLL. As compensation to GTECH under this arrangement certain portion of game revenue is paid over to GTECH and is included in service fees as direct expenses. Resulting from this arrangement, SVLL has no further obligation for settlement of the jackpot prize liability and, accordingly, will not be recording additional prize expenses other than amounts recognised as a reserve on an ongoing basis based on revenue. (See also Note 42(c)).

(c) Represents the prize liabilities associated with sports betting operated under licence by subsidiary, Big 'A' Track 2003 Limited.

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**24 REVENUE**

(a) Analysis of revenue for continuing operations is as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Cash Pot	18,865,632	16,798,346	-	-
Lucky 5	373,233	510,111	-	-
Dollaz	219,238	280,257	-	-
Lotto	1,042,714	1,159,404	-	-
Pick 3	2,864,402	2,683,181	-	-
Instant	61,725	80,345	-	-
Super Lotto (See (b) below)	469,466	562,488	-	-
Pick 2 (commenced November 2010)	720,297	63,766	-	-
Sports Betting (commenced January 2010)	99,932	43,093	-	-
Unclaimed prizes	111,600	68,801	-	-
Gaming revenue (net wins)	697,790	862,439	-	-
Hospitality and related revenue	108,161	118,981	-	-
Management fees	-	-	120,000	165,000
Royalties	-	-	57,355	104,012
Pin codes	2,268,306	1,980,846	2,268,306	1,980,846
Others	<u>59,132</u>	<u>55,022</u>	<u>18,017</u>	<u>22,666</u>
	<u>27,961,628</u>	<u>25,267,080</u>	<u>2,463,678</u>	<u>2,272,524</u>

(b) On August 18, 2009 the Betting, Gaming and Lotteries Commission (BGLC) gave an approval for the subsidiary to sell lottery tickets of the Super Lotto game in Jamaica.

The Super Lotto game is a multi-jurisdictional game with the following countries being a party to the Super Lotto agreement entered into by the company on July 27, 2009: Anguilla, Antigua and Barbuda, Bermuda, St. Kitts and Nevis, Barbados, St. Maarten, United States Virgin Islands, Dominican Republic and Jamaica. Revenue from ticket sales in Jamaica is recorded as income of the Group.

(c) During the current year the MoneyGram remittance service and foreign exchange trading operations were discontinued. Prior year revenues in relation to these operations have been reclassified and stated as discontinued operations (as described in Note 35).

**25 SEGMENT REPORTING**

Information reported to the Chief Operating Decision Maker for the purposes of resource allocation and assessment of segment performance focuses on the types of services provided.

The Group's reportable segments under IFRS 8 are therefore as follows:

- |                            |   |
|----------------------------|---|
| (a) Lottery                | - Lottery games, operated through the agents' network.  |
| (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) Sports Betting         | - International sport events operated through the agent's network.  |
| (d) Pin codes              | - Sale of pin codes through the agents' network, agents' service fees, agents' reconnection fees.                                       |
| (e) Other                  | - All other income.   |

During the current year the Group discontinued the financial services segment which included money from remittance services and foreign exchange dealer operations. The segment information does not include any amounts for this discontinued operations, which is described more in Note 35.

The Group's customer base currently spans several geographical areas. However, all its segment's operations are from the same country of domicile and as such all its revenues generated from external customers and non-current assets are attributed to the same geographical area.

The Group's operations are located solely in Jamaica.

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**25 SEGMENT REPORTING FROM CONTINUING OPERATIONS (Cont'd)**

	2011					
	<u>Lottery</u>	<u>Gaming and Hospitality</u>	<u>Sports Betting</u>	<u>Pin Codes</u>	<u>Other</u>	<u>Eliminations</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<b>External revenue</b>						
Inter-segment revenue	24,728,307	805,951	99,932	2,268,306	59,132	27,961,628
	-	27,903	-	-	177,355	-
Total revenue	<u>24,728,307</u>	<u>833,854</u>	<u>99,932</u>	<u>2,268,306</u>	<u>236,487</u>	<u>27,961,628</u>
<b>Result</b>						
Segment result	1,022,466	( 168,906)	(129,190)	74,783	63,575	862,728
Interest income						46,376
Net foreign exchange loss						7,666
Other gains and losses						195,391
Finance cost						( 48,600)
Profit before taxation continuing opera-						1,063,561
Taxation						( 443,294)
<b>Profit for the year (continuing operations)</b>						<u>620,267</u>
<b>Other information</b>						
Capital additions	126,251	15,514	81,580	-	1,095	224,440
Depreciation, amortisation and write-offs						
property, plant and equipment	39,699	165,442	15,696	-	-	220,837
<b>Balance sheet</b>						
Assets						
Segment assets	3,976,351	3,361,999	553,610	111,437	121,782	5,064,946
Consolidated total assets						<u>5,064,946</u>
<b>Liabilities</b>						
Segment liabilities	1,541,602	1,301,638	86,930	211,979	48,466	1,581,689
Consolidated total liabilities						<u>1,581,689</u>

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25

SEGMENT REPORTING FROM CONTINUING OPERATIONS (Cont'd)								2010
	Lottery \$'000	Gaming and Hospitality \$'000	Sports Betting \$'000	Pin Codes \$'000	Other \$'000	Eliminations \$'000	Group \$'000	
External revenue	22,206,699	981,420	43,093	1,980,846	55,022	-	25,267,080	
Inter-segment revenue	-	22,666	-	-	237,068	( 259,734)	-	
Total revenue	22,206,699	1,004,086	43,093	1,980,846	292,090	( 259,734)	25,267,080	
Result								
Segment result	774,531	( 71,698)	( 90,077)	55,280	155,020	-	723,056	
Interest income							71,631	
Net foreign exchange loss							( 7,158)	
Other gains and losses							( 15,056)	
Finance cost							( 41,608)	
Profit before taxation							730,865	
Taxation							( 292,138)	
Profit for the year (continuing operations)							438,727	
Other information								
Capital additions	20,910	132,608	28,710	-	8,258	-	190,486	
Depreciation, amortisation and write-offs property, plant and equipment	29,690	168,939	4,543	-	-	-	203,172	
Revaluation of property	55,600	154,992	-	-	-	-	210,592	
Balance sheet								
Assets								
Segment assets	3,143,893	3,562,019	214,152	120,854	126,686	(2,528,238)	4,639,366	
Consolidated total assets							4,639,366	
Liabilities								
Segment liabilities	938,808	1,320,486	56,804	241,335	34,835	(1,276,930)	1,315,338	
Consolidated total liabilities							1,315,338	

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**26 DIRECT EXPENSES**

(a) Analysis of direct expenses for continuing operations is as follows:

	The Group		The Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Lottery and Sports betting prizes	17,175,967	15,352,896	-	-
Service contractor fees	1,276,755	1,492,390	-	-
Agents' commissions	1,221,855	1,097,635	-	-
Good cause fees	1,060,607	1,011,098	-	-
Lottery and gaming tax	1,381,176	1,284,078	-	-
Contributions to BGLC	264,099	243,389	-	-
Direct expense - hospitality and related services	85,700	77,746	-	-
Pin codes	2,038,115	1,775,838	2,038,115	1,775,838
Commissions - pin codes (cost)	<u>155,409</u>	<u>149,728</u>	<u>155,409</u>	<u>149,728</u>
	<u>24,659,683</u>	<u>22,484,798</u>	<u>2,193,524</u>	<u>1,925,566</u>

During the current year the MoneyGram remittance and Cambio operation were discontinued. Prior year direct expenses in relation to this operation have been reclassified and stated as discontinued operations (as described in Note 35).

(b) Lottery and Sports betting 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.
- (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, Super 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 2 and 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.
- (vii) Sports Betting – All prizes are fixed. The prize won is based on the amount wagered multiplied by the odds of the selected event(s) printed on the ticket, which were the valid ones while it was played.



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

(c) Service contractor fees

(i) 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.

(ii) Intralot

Intralot has been contracted for the provision of technical services for sports betting activities. Intralot whose primary business is providing online sports betting systems, terminals, networks and services to the sports betting industry provide these services to operate the sports betting activities. Intralot receives a service fee calculated using an agreed fee percentage based on weekly net sales after prizes, agents' commission and relevant government taxes.

(d) Agents' commission

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

(e) Good cause fees

Under the terms of the licence and approvals granted by the Betting, Gaming & Lotteries Commission (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, Super Lotto, Instant Ticket and Prime Time Bingo	- 7.5% of gross ticket sales
Pick 2 and Pick 3	- 4.17% of gross ticket sales
Sports Betting	- 1% of net ticket sales after prizes
Video Lottery Terminals	- 1% of meter net wins

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

(f) Lottery and gaming 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 2 and Pick 3 and 23% of weekly gross revenues is paid for Dollaz!. The tax for Lotto and Super 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 6.5% of meter net wins on a monthly basis, Sports Betting 7% of gross profit (sales net of prizes).

(g) Contributions to Betting, Gaming and Lotteries Commission

In accordance with conditions attached to the licence and approval granted by BGLC 1% of gross lottery and 1% of Sports Betting net 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.

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

(h) Pin codes

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

(i) Commission - pin codes cost

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

**27 OPERATING EXPENSES**

Analysis of operating expenses for continuing operations is as follows:

	The Group		The Company	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Staff costs (Note 28)	667,576	588,511	180,825	128,996
Rental and utilities	217,857	177,793	12,211	6,371
Marketing and business development	477,274	371,336	4,763	1,059
Professional fees	238,464	128,135	43,801	42,577
Draw expenses	132,407	101,320	-	-
Security	76,879	67,602	6,076	8,335
GCT irrecoverable	100,404	87,063	-	-
Licences and other fees	26,381	18,258	19	191
Depreciation, amortisation and write-off property, plant and equipment	220,837	203,172	40,711	46,562
Bank charges	22,709	33,097	518	12,224
Others	<u>258,429</u>	<u>282,939</u>	<u>45,611</u>	<u>22,391</u>
	<u>2,439,217</u>	<u>2,059,226</u>	<u>334,535</u>	<u>268,706</u>

During the current year the MoneyGram remittance service and foreign exchange trading operations were discontinued. Prior year operating expenses in relation to these operations have been reclassified and stated as discontinued operations (as described in Note 35).

**28 STAFF COSTS**

Analysis of staff costs for continuing operations is as follows:

	The Group		The Company	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Salaries and other employee benefits including redundancy	611,535	539,213	170,328	119,872
Statutory contributions	49,555	44,921	10,158	8,807
Pension contributions	<u>6,486</u>	<u>4,377</u>	<u>339</u>	<u>317</u>
	<u>667,576</u>	<u>588,511</u>	<u>180,825</u>	<u>128,996</u>

**SUPREME VENTURES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**29 NET FOREIGN EXCHANGE GAIN (LOSS)**

Analysis of net foreign exchange gain (loss) for continuing operations is as follows:

	The Group		The Company	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Foreign exchange gain	7,784	11,303	1,349	5,521
Foreign exchange loss	( 118)	(18,461)	( 24)	(1,427)
<b>NET GAIN (LOSS)</b>	<u>7,666</u>	<u>7,158</u>	<u>1,325</u>	<u>4,094</u>

**30 FINANCE COSTS**

Analysis of finance costs for continuing operations is as follows:

	The Group		The Company	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Interest on bank overdraft and long-term loans	44,449	33,330	44,449	33,330
Interest on obligations under finance lease	<u>4,151</u>	<u>8,278</u>	<u>-</u>	<u>-</u>
	<u>48,600</u>	<u>41,608</u>	<u>44,449</u>	<u>33,330</u>

**31 OTHER GAINS AND LOSSES**

Analysis of other gains and losses for continuing operations is as follows:

Group

This amount includes an early renewal fee of US\$1.75M (J\$149.391M) in respect of the successful completion of a new contractual agreement with GTECH Corporation, the technology provider of the lottery gaming network. The balance of \$46 million represent draw down on the Lucky Five reserve as approved by the Betting, Gaming and Lotteries Commission.

The amount in respect of 2010 represents impairment adjustment in respect of an unquoted investment. (See also Note 10).

The Company

The amount represents loss of purchased goodwill attributable to financial services cash generating unit discontinued during the year. The amount in respect of the prior year represents impairment adjustment of an unquoted investment.

**SUPREME VENTURES LIMITED**  
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**32 PROFIT BEFORE TAXATION**

Analysis of profit before taxation for continuing operations is as follows:

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

	The Group		The Group	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Income				
Interest	46,376	71,631	92,069	75,824
Expenses				
Directors' emoluments:				
Fees	19,194	16,851	19,194	16,851
Management remuneration	162,709	107,257	119,185	71,723
Audit fees	17,300	16,550	5,500	5,100
Depreciation of property				
and equipment	194,884	183,558	38,871	45,878
Amortisation of intangible assets	25,953	12,217	840	684
Amortisation of other assets	5,019	6,023	-	-
Finance costs	48,600	41,608	44,449	33,330

**33 RELATED PARTY**

(a) A party is considered to be related if:

- (i) directly, or indirectly through one or more intermediaries, the party:
  - controls, is controlled by, or is under common control with, the Group (this includes parent, subsidiaries and fellow subsidiaries);
  - has an interest in the entity that gives it significant influence over the Group; or
  - has joint control over the Group;
- (ii) the party is an associate of the Group;
- (iii) the party is a joint venture in which the Group is a venturer;
- (iv) the party is a member of the key management personnel of the Group;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Related party transactions and balances are recognised and disclosed in the financial statements.

Transactions with related parties are recorded in accordance with the normal policies of the Group at transaction dates.

**SUPREME VENTURES LIMITED**  
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**33 RELATED PARTY (Cont'd)**

(b) *Trading transactions with related parties*

During the period, the company had the following significant transactions

	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Supreme Ventures Financial Services Limited		
Foreign currency purchases	-	140,483
Royalty fee	897	1,858
Prime Sports (Jamaica) Limited		
Machine rental	18,682	22,666
Interest income	86,598	71,670
Supreme Ventures Lotteries Limited		
Management fees	120,000	165,000
Royalty fee	56,457	102,143

(c) *Balances with related parties*

Notes 9 and 16 to the financial statements include related party long-term receivable and other amounts due from related parties respectively.

(d) *Loans of key management personnel*

	<u>The company</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Loan balances	<u>65,360</u>	<u>78,051</u>

The company has provided its key management personnel with short-term loans in accordance with policy on granting loans to the company's employees. The amounts provided during the period amounted to \$19.89 million (2010: \$98.081 million).

(e) *Compensation of key management personnel*

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Short-term benefits	183,289	112,897	139,765	77,363
Post employment benefits	<u>2,059</u>	<u>1,726</u>	<u>326</u>	<u>313</u>
	<u>185,348</u>	<u>114,623</u>	<u>140,091</u>	<u>77,676</u>
Professional fees paid to directors	<u>77,610</u>	<u>28,670</u>	<u>77,610</u>	<u>28,670</u>

**SUPREME VENTURES LIMITED**  
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**34 TAXATION**

Analysis of taxation for continuing operations is as follows:

(a) The taxation for the year includes:

	The Group		The Company	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Current tax charge:				
Income tax at 33½% of taxable profits	477,526	324,812	-	42,512
Under provision in previous period	963	1,502	963	5,620
Deferred tax adjustment (Note 12)	( 35,195)	( 34,176)	1,683	11,302
	<u>443,294</u>	<u>292,138</u>	<u>2,646</u>	<u>59,434</u>

(b) The charge is reconciled to the profit as per the statement of comprehensive income as follows:

	The Group		The Company	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Profit before taxation	<u>1,063,561</u>	<u>730,865</u>	<u>444,601</u>	<u>729,784</u>
Tax at the domestic income tax rate of 33½%	354,520	243,621	148,200	243,261
Tax effect of expenses disallowed for tax purposes	53,691	12,976	8,447	4,460
Net deferred tax asset not recognised (see (d) below)	72,993	37,354	-	-
Tax effect on non-taxable income	( 54,436)	-	(155,301)	(206,667)
Under provision previous year	963	1,502	963	5,620
Tax effect on private motor vehicles	15,174	-	-	-
Tax effect of write back of unrealised exchange gain (loss)	-	( 5,688)	-	12,759
Other	<u>389</u>	<u>2,373</u>	<u>337</u>	<u>1</u>
	<u>443,294</u>	<u>292,138</u>	<u>2,646</u>	<u>59,434</u>

(c) Tax losses of subsidiaries amounting to approximately \$583 million (subject to agreement with the Commissioner, Taxpayer Audit and Assessment) are available for set-off against future taxable profits of the subsidiaries.

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**34 TAXATION FROM CONTINUING OPERATIONS (Cont'd)**

- (d) Net deferred tax asset not recognised represents the effect of deferred tax on losses of a subsidiary currently operating at a loss.

**35 DISCONTINUED OPERATION**

- (a) Discontinued operations - Financial services

As part of management's effort to streamline its operations a strategic decision was taken to sell the MoneyGram Operations and to surrender the Cambio licence of its subsidiary, Supreme Ventures Financial Service Limited, which was effective December 9, 2011. As a result, these operations have been treated as a discontinued operation in these financial statements. The financial position is treated as a going concern as it will continue to operate as a MoneyGram sub-agent and will also seek other revenue generating activities.

	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Revenue	147,729	152,184
Direct expenses	( 33,287)	( 33,543)
Gross profit	114,442	118,641
Operating expenses	(163,450)	(139,217)
<b>Loss from operations</b>	( 49,008)	( 20,576)
Other gains and losses (see (b) below)	23,037	-
Interest income	729	863
Net foreign exchange loss	( 5,279)	( 5,564)
<b>Loss before taxation</b>	( 30,521)	( 25,277)
Taxation	16,580	7,817
<b>Loss for the year from discontinued operations</b>	( 13,941)	( 17,460)
(b) Other gains and losses	\$'000	
Proceed from sale of MoneyGram operation	38,000	
Impairment of goodwill attributed to financial services	(14,963)	
	<u>23,037</u>	

**36 NET PROFIT**

- (a) Dealt with in the financial statements of:

	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
The company (see (b) below)	( 33,045)	50,350
The subsidiaries	<u>639,371</u>	<u>370,917</u>
	<u>606,326</u>	<u>421,267</u>
(b) Profit per company's statement of comprehensive income	441,955	670,350
Less: Dividend received - subsidiary	(475,000)	(620,000)
Net profit (as above)	( 33,045)	<u>50,350</u>

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**37 RETAINED EARNINGS**

This is reflected in the financial statements of:

	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
The company	1,018,162	1,024,593
The subsidiaries	<u>275,076</u>	<u>110,705</u>
	<u>1,293,238</u>	<u>1,135,298</u>

**38 EARNINGS PER STOCK**

From continuing and discontinued operations

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.

	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Net profit attributable to shareholders ('000)	606,326	421,267
Weighted average number of ordinary stock units in issue ('000)	2,637,254	2,637,254

	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
From continuing operations	24	17
From discontinued operations	( <u>1</u> )	( <u>1</u> )
Total basic earnings per share	<u>23</u>	<u>16</u>

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

**39 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 28 on staff costs.

**40 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:

	<u>The Group</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Within 1 year	86,618	15,262
Year 2 and 3	<u>162,783</u>	<u>39,079</u>
	<u>249,401</u>	<u>54,341</u>



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**40 OPERATING LEASE ARRANGEMENTS (Cont'd)**

	<u>The Group</u>	
	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>
Minimum lease payment under operating lease recognised as an expense in the year	<u>71,779</u>	<u>54,335</u>

**41 DISTRIBUTIONS**

	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>
a. Dividend declared and paid		
Final 2010 dividend paid July 12, 2010 - 14¢	-	369,216
First interim dividend paid July 12, 2011 - 7¢	184,658	-
Second interim dividend paid September 12, 2011 - 5¢	131,864	-
Third interim dividend paid December 29, 2011 - 5¢	<u>131,864</u>	<u>-</u>
	<u>448,386</u>	<u>369,216</u>
b. Dividend from subsidiary	<u>475,000</u>	<u>620,000</u>

Represents amounts received from the company's wholly-owned subsidiary, Supreme Ventures Lotteries Limited.

**42 CONTINGENCIES AND COMMITMENTS**

(a) Contingencies - litigations

On December 15, 2008 a civil suit was filed by Epsilon Global Equities Limited (Epsilon) citing as defendants the company and its founding shareholders.

The matter was settled during the early part of the year, with a judgment in favour of the shareholders and the company. However, the attorney representing Epsilon appealed the judgment. It is expected that the appeal will be heard by December 2012. Attorney's representing the defendants expect to succeed the hearing and that the appeal will not result in a financial liability to the company.

(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, 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 capitalisation 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.

**SUPREME VENTURES LIMITED**  
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**42 CONTINGENCIES AND COMMITMENTS (Cont'd)**

(c) Contingency - Big 'A' Track 2003 Limited

In accordance with requirements of the Betting, Gaming and Lotteries Act to grant Bookmakers permit, the subsidiary Big 'A' Track 2003 Limited executed a performance bond guarantee arrangement with Bank of Nova Scotia Jamaica Limited (BNS) for an amount of \$25.0 million. Under the said performance bond covering the period April 14, 2011 to April 13, 2015, BNS would pay on demand any sums which may from time to time be demanded by the Betting, Gaming and Lotteries Commission up to a maximum aggregated sum of \$25.0 million.

The bank guarantee is secured by a hypothecated term deposit of \$25.0 million of the subsidiary, which is included in the Group's cash and bank balances.

(d) Contingencies - Super Lotto Jackpot Liability

As required under Condition 7 attached to the approval granted by Betting, Gaming and Lotteries Commission (BGLC) to promote the multijurisdictional Game 'Super Lotto', the company as the applicant has made arrangements for a stand-by financing facility of \$600.0 million from Bank of Nova Scotia Jamaica Limited. Under the said stand-by facility which expires on December 31, 2012, BGLC has been identified as the beneficiary in order to ensure that a super lotto jackpot winner in Jamaica is settled with the prize money and also to ensure that the necessary taxes on such a prize payment is settled with the revenue authorities in Jamaica.

(e) 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 \$19.2 million falls due for payment each year.

(f) Commitments - other

Commitments in respect of sponsorship agreements are as follows:

<u>Year</u>	<u>\$'000</u>
2012	<u>69,650</u>

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

43.1 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 recognised, in respect of each class of financial assets, financial liabilities and equity instruments are disclosed in Note 3 to the financial statements.

**SUPREME VENTURES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

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

**43.2 Categories of financial instruments**

	<u>The Group</u>		<u>The Company</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
Loans and other receivables				
(including cash and				
cash equivalents)	2,126,799	1,650,564	1,390,559	1,395,827
Available-for-sale investments	<u>1,883</u>	<u>1,883</u>	<u>1,883</u>	<u>1,883</u>
	<u>2,128,682</u>	<u>1,652,447</u>	<u>1,392,442</u>	<u>1,397,710</u>
<b>Financial liabilities</b>				
Other financial liabilities				
at amortized cost	<u>1,394,925</u>	<u>1,277,036</u>	<u>667,240</u>	<u>520,152</u>

**43.3 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 minimise potential adverse effects on the group's financial performance.

The Group's risk management policies are designed to identify and analyse 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.

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.

**SUPREME VENTURES LIMITED**  
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**43 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)**

**43.4 Credit risk management**

**43.4.1 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 from receivables of lottery sales and cash and bank balances (see below). 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.

	The Group	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Lottery receivables	289,829	232,318
Cash and bank balances	<u>1,418,477</u>	<u>883,921</u>
	<u>1,708,306</u>	<u>1,116,239</u>

*The company*

The company's maximum exposure to credit risk arises mainly from cash and bank balances amounting to \$164.454 million (2010 - \$72.789 million)

**43.4.2 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.

**43.4.3 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.

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

**43.5 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.

**43.5.1 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.

**43.5.2 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.

	The Group				
	Weighted				
	average				
	effective	Within 3	3 months	1 to 5	
	interest rate	Months	to 1 year	Years	Total
	%	\$'000	\$'000	\$'000	\$'000
<u>2011</u>					
Financial assets					
Non-interest bearing		915,128	-	1,883	917,011
Variable interest rate					
instruments	0.56	463	1,415	339,899	341,777
Fixed interest rate					
instruments	3.02	<u>876,218</u>	<u>-</u>	<u>-</u>	<u>876,218</u>
		<u>1,791,809</u>	<u>1,415</u>	<u>341,782</u>	<u>2,135,006</u>
Financial liabilities					
Non-interest bearing		990,876	-	-	990,876
Interest bearing loan fixed rate	10.46	<u>168,175</u>	<u>74,731</u>	<u>256,021</u>	<u>498,927</u>
		<u>1,159,051</u>	<u>74,731</u>	<u>256,021</u>	<u>1,489,803</u>

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

**43.5 Liquidity risk (Cont'd)**

**43.5.2 Liquidity and interest rate tables (Cont'd)**

The Group (Cont'd)					
	Weighted average effective interest rate %	Within 3 Months \$'000	3 months to 1 year \$'000	1 to 5 Years \$'000	Total \$'000
<u>2010</u>					
Financial assets					
Non-interest bearing		574,815	-	1,883	576,698
Variable interest rate instruments	4.79	189,359	113,719	151,538	454,616
Fixed interest rate instruments	4.04	<u>180,392</u>	<u>512,717</u>	<u>-</u>	<u>693,109</u>
		<u>944,566</u>	<u>626,436</u>	<u>153,421</u>	<u>1,724,423</u>
Financial liabilities					
Non-interest bearing		968,229	-	-	968,229
Interest bearing loan fixed rate	6.32	<u>69,174</u>	<u>68,416</u>	<u>282,087</u>	<u>419,677</u>
		<u>1,037,403</u>	<u>68,416</u>	<u>282,087</u>	<u>1,387,906</u>

The Company						
	Weighted average effective interest rate %	1 to 3 Months \$'000	3 months to 1 year \$'000	1 to 5 Years \$'000	Over 5 years \$'000	Total \$'000
<u>2011</u>						
Financial assets						
Non-interest bearing		444,932	-	-	1,883	446,815
Fixed interest rate instruments	7.69	<u>133,407</u>	<u>93,430</u>	<u>499,893</u>	<u>1,284,218</u>	<u>2,010,948</u>
		<u>578,339</u>	<u>93,430</u>	<u>499,893</u>	<u>1,286,101</u>	<u>2,457,763</u>
Financial liabilities						
Non-interest bearing		302,386	-	-	-	302,386
Fixed interest bearing loan	10.80	<u>128,327</u>	<u>74,731</u>	<u>256,021</u>	<u>-</u>	<u>459,079</u>
		<u>430,723</u>	<u>74,731</u>	<u>256,021</u>	<u>-</u>	<u>761,465</u>
<u>2010</u>						
Financial assets						
Non-interest bearing		388,731	-	1,883	-	390,614
Fixed interest rate instruments	5.55	<u>60,713</u>	<u>100,332</u>	<u>482,945</u>	<u>1,342,703</u>	<u>1,986,693</u>
		<u>449,444</u>	<u>100,332</u>	<u>484,828</u>	<u>1,342,703</u>	<u>2,377,307</u>
Financial liabilities						
Non-interest bearing		276,867	-	-	-	276,867
Fixed interest bearing loan	12.79	<u>64,320</u>	<u>53,336</u>	<u>232,155</u>	<u>-</u>	<u>349,811</u>
		<u>341,187</u>	<u>53,336</u>	<u>232,155</u>	<u>-</u>	<u>626,678</u>

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

**43.6 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.

**43.6.1 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:

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

43.6 Market risk (Cont'd)

43.6.1 Foreign currency risk (Cont'd)

		The Group									
		2011									
		USD		CDN		GBP		EUR		KYD	
US\$	J\$	US\$	J\$	CDN\$	J\$	£	J\$	€	J\$	Kyd\$	J\$
'000	Equiv.	'000	Equiv.	'000	'000	'000	Equiv.	'000	'000	'000	Equiv.
Total assets	6,377	550,228	1	88	4	480	-	-	-	-	-
Total liabilities	(492)	(42,640)	-	-	-	-	-	-	-	-	-
Net exposure	<u>5,885</u>	<u>507,588</u>	<u>1</u>	<u>88</u>	<u>4</u>	<u>480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2010											
US\$	J\$	US\$	J\$	CDN	J\$	GBP	J\$	EUR	J\$	KYD	J\$
'000	Equiv.	'000	Equiv.	'000	'000	'000	Equiv.	'000	'000	'000	Equiv.
Total assets	6,042	515,180	15	1,228	8	1,039	1	93	1	3	3
Total liabilities	(1,332)	(114,482)	-	-	-	-	-	-	-	-	-
Net exposure	<u>4,710</u>	<u>400,698</u>	<u>15</u>	<u>1,228</u>	<u>8</u>	<u>1,039</u>	<u>1</u>	<u>93</u>	<u>1</u>	<u>3</u>	<u>3</u>



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

43.6 Market risk (Cont'd)

43.6.1 Foreign currency risk (Cont'd)

	The Company			
	2011		2010	
	USD		USD	
	US\$ '000	J\$ Equiv. '000	US\$ '000	J\$ Equiv. '000
Total assets	509	44,063	51	4,357
Total liabilities	—	—	(528)	(45,528)
Net exposure	<u>509</u>	<u>44,063</u>	<u>(477)</u>	<u>(41,171)</u>

43.6.2 Foreign currency sensitivity

The Group's sensitivity to a 1% increase/decrease in the Jamaican dollar against the following currencies USD, CDN, KYD, GBP and Euro are demonstrated below and represent management's assessment of the possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust the translation at period end for a 1% change in the foreign currency rates.

The sensitivity of the 1% increase/decrease in the Jamaican dollar on the foreign currency exposure is reflected below (2010: 5% increase/decrease):

	2011	2010
	<u>Increase/decrease</u>	<u>Increase/decrease</u>
	1%	5%
	\$'000	\$'000
USD	5,076	20,035
CDN	1	61
GBP	5	52
Euro	<u>—</u>	<u>5</u>
	<u>5,082</u>	<u>20,153</u>

The company

The sensitivity of the company to a 1% increase/decrease in the Jamaican dollar on the net United States dollar exposure would be \$0.440 million (2010: 5% increase/decrease - \$2.05 million).

**SUPREME VENTURES LIMITED**  
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**43 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)**

43.6 Market risk (Cont'd)

43.6.3 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 utilising 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 assets and financial liabilities are detailed in liquidity risk management (Note 43.5.2).

43.6.4 Interest rate risk management

The Group's and the company's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

Interest rate sensitivity has been determined based on the exposure to interest rates for the Group's long-term loan receivable and short-term deposits at the end of reporting period as these are substantially the interest sensitive instrument impacting financial results. For floating rate assets, the analysis assumes the amount of asset outstanding at the statement of financial position date was outstanding for the whole period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates. In 2010 the assumption was 200 basis point increase and 100 basis point decrease.

If market interest rates had been 100 basis points higher or lower and all other variables were held constant:

	<u>The Group</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Effect on net surplus increase/ decrease of 100 basis point	3,380	-
Effect on net surplus increase 200 basis point	-	7,950
Effect on net surplus decrease 100 basis point	-	(3,975)

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

**43.7 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.

**43.8 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 recognised 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 the end of the reporting period. 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 realise 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 amortised 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 less impairment adjustments as stated in Note 10.
- (d) The carrying value of long-term liabilities approximate the fair values as these loans are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of market rates for similar loans.

**44 SUBSEQUENT EVENT**

Subsequent to December 31, 2011, the company commenced the process to delist its shares from the Trinidad and Tobago Stock Exchange.



# CORPORATE DATA

# ***Corporate Data***

***as at 31<sup>st</sup> December 2011***

## **REGISTERED OFFICE:**

### **Supreme Ventures Limited**

4<sup>th</sup> Floor, Sagicor Centre  
28-48 Barbados Avenue  
Kingston 5, Jamaica, W.I.  
Tel: (876) 754-6526  
Fax: (876) 754-2143

## ***BANKERS:***

### **National Commercial Bank**

#### **Jamaica Limited (Private Banking)**

32 Trafalgar Road  
Kingston 5  
Jamaica, W.I.

### **Bank of Nova Scotia Jamaica Limited**

2 Knutsford Boulevard  
Kingston 5  
Jamaica, W.I.

### **RBC Royal Bank (Jamaica) Limited**

17 Dominica Drive  
Kingston 5  
Jamaica, W.I.

### **CIBC FirstCaribbean International Bank**

23 Knutsford Boulevard  
Kingston 5  
Jamaica, W.I.

## ***REGISTRAR & TRANSFER AGENTS***

### **Jamaica Central Securities Depository Limited**

40 Harbour Street  
Kingston  
Jamaica, W.I.

### **Trinidad & Tobago Central Depository Limited**

10<sup>th</sup> Floor, Nicholas Tower  
63 – 65 Independence Square  
Port of Spain, Trinidad, W.I.

## **AUDITORS:**

### **Deloitte & Touche**

7 West Avenue  
Kingston 4  
Jamaica, W.I.

### **PricewaterhouseCoopers**

Scotia Centre  
Cnr. Duke & Port Royal Streets  
Kingston, Jamaica, W.I.

## ***ATTORNEYS:***

### **John G. Graham & Company**

7 Belmont Road  
Kingston 5  
Jamaica, W.I.

### **Rattray, Patterson, Rattray**

15 Caledonia Avenue  
Kingston 5  
Jamaica, W.I.

### **Hart, Muirhead, Fatta**

53 Knutsford Boulevard  
Kingston 5, Jamaica, W.I.

### **Livingston Alexander Levy**

72 Harbour Street  
Kingston  
Jamaica, W.I.

# ***Corporate Data***

***as at 31<sup>st</sup> December 2011***

## **SUBSIDIARIES**

### **Supreme Ventures Lotteries Limited**

4<sup>th</sup> Floor, Sagicor Centre  
28-48 Barbados Avenue  
Kingston 5, Jamaica, W.I.  
Tel: (876) 754-6526  
Fax: (876) 754-2143

### **Big ‘A’ Track 2003 Limited**

4<sup>th</sup> Floor, Sagicor Centre  
28 – 48 Barbados Avenue  
Kingston 5, Jamaica, W.I.  
Tel: (876) 754-6526  
Fax: (876) 754-2143

### **Supreme Ventures Financial Services Limited**

4<sup>th</sup> Floor, Sagicor Centre  
28-48 Barbados Avenue  
Kingston 5, Jamaica, W.I.  
Tel: (876) 754-6526  
Fax: (876) 960-4397

### **Bingo Investments Limited**

4<sup>th</sup> Floor, Sagicor Centre  
28- 48 Barbados Avenue,  
Kingston 5, Jamaica, W.I.  
Tel: (876) 754-6526  
Fax: (876) 754-2143

### **Jamaica Lottery Company Holdings Limited**

4<sup>th</sup> Floor, Sagicor Centre  
28-48 Barbados Avenue  
Kingston 5, Jamaica, W.I.  
Tel: (876) 754-6526  
Fax: (876) 754-2143

### **Supreme Ventures VL Holdings Limited (St. Lucia)**

Pointe Seraphine  
P.O. Box 195  
St. Lucia, W.I.

### **Prime Sports Jamaica Limited**

4<sup>th</sup> Floor, Sagicor Centre  
28-48 Barbados Avenue  
Kingston 5, Jamaica, W.I.  
Tel: (876) 754-6526  
Fax: (876) 968-4389

# ***Corporate Data***

***as at 31<sup>st</sup> December 2011***

## **OPERATING LOCATIONS:**

### **Corporate Office (Sagicor):**

4th Floor, Sagicor Centre  
28 – 48 Barbados Avenue  
Kingston 5, Jamaica, W.I.  
Tel: (876) 754-6526  
Fax: (876) 754-2143

### **Corporate Office (Knutsford):**

8th Floor  
63 - 65 Knutsford Boulevard  
Kingston 5, Jamaica, W.I.  
Tel: (876) 906-8603/908-0990  
Fax: (876) 754-9577

## **REGIONAL CENTRES:**

### **New Kingston:**

1<sup>st</sup> Floor, Sagicor Centre  
28 – 48 Barbados Avenue  
Kingston 5, Jamaica, W.I.  
Tel: (876) 754-6526  
Fax: (876) 906-0188

### **Half Way Tree Road:**

28 Half Way Tree Road  
Kingston 5, Jamaica, W.I.  
Tel: (876) 920-3498  
Tel: (876) 920-3500  
Fax: (876) 960-9417

### **Spanish Town:**

37 Young Street  
Spanish Town  
St. Catherine, Jamaica, W.I.  
Tel: (876) 749-3690  
Fax: (876) 749-3691

### **Montego Bay:**

Shop # F203 Baywest Shopping Centre  
Harbour Street, Montego Bay  
St. James, Jamaica, W.I.  
Tel: (876) 979-0366/0370  
Fax: (876) 952-9046

### **Savanna-la-Mar:**

Lyons Plaza, 74 Great George Street  
Savanna-la-Mar  
Westmoreland, Jamaica, W.I.  
Tel: (876) 918-0232  
Fax: (876) 918-0233

## **GAMING LOUNGES:**

### **Acropolis Barbican:**

Barbican Centre  
29 East Kings House Road  
Kingston 6, Jamaica, W.I.  
Tel: (876) 978-1299  
Fax: (876) 927-7368

### **Acropolis May Pen:**

Bargain Village Plaza  
35 Main Street, May Pen  
Clarendon, Jamaica, W.I.  
Tel: (876) 902-8074  
Fax: (876) 986-1761

### **Coral Cliff:**

165 Gloucester Avenue  
Montego Bay  
St. James, Jamaica, W.I.  
Tel: (876) 952-4130  
Fax: (876) 952-6532

### **Acropolis Portmore:**

5-7 Seagrape Close  
Bridgeport P.O.  
St. Catherine, Jamaica, W.I.  
Tel: (876) 988-3303  
Fax: (876) 704-8196

# *Senior Managers*

## *as at 31<sup>st</sup> December 2011*

Brian George	President & CEO
James Morrison	Vice President, Group Finance & CFO
Sonia Davidson	Vice President, Group Corporate Communications
Georgios Souris	Vice President, VLT's & Sports Betting
Wayne Boodasingh	Vice President, Group Property and Facilities
Lorna Gooden	Asst. Vice President, Group Finance & Reporting
Andrew Bromley	Asst. Vice President, Group Security & Surveillance
Nigel Warmington	Asst. Vice President, Facilities & Maintenance
Janette Conie	Asst. Vice President, Group HR & Financial Services
Lancelot Thomas	Asst. Vice President, Strategic Planning & Risk Management
Bernard Morrison	Executive Chef
May Lawrence Evans*	Group HR & Administration Manager
Michael Smith	Group Information Technology Manager

\*Mrs. May Lawrence Evans retired from Supreme Ventures Limited on 1<sup>st</sup> February 2012. The Board wishes to express sincere appreciation for her years of service.



# ***Managers***

***as at 31<sup>st</sup> December 2011***

Wayne Matthews	Finance Manager
Ann Taylor	Gaming Operations - Acropolis
Fenley Douglas	Gaming Operations - Acropolis
Nicola Hussey	Deputy Gaming Operations Manager – Coral Cliff
Dwight Richardson	Security Manager
Desmond Smith	Security Manager
Tashia Hutton	Group Compliance Manager
Deon Dewar-Gray	Operations Manager – Financial Services

# **TEN LARGEST SHAREHOLDERS**

*as at 31<sup>st</sup> December 2011*

<b><u>NAME OF SHAREHOLDERS</u></b>	<b><u>UNITS</u></b>
Intralot Caribbean Ventures Limited	1,315,895,445
Ian Kent Levy*	318,929,440
Paul Hoo*	227,568,859
Janette Stewart*	179,622,545
Stephen Roger Castagne	131,600,200
Mayberry CO A/C 120008	66,553,514
Sunfisher Corporation	24,648,118
Keith Binns*	20,041,900
TW Metals Limited	18,257,457
Mayberry West Indies Limited	15,957,182

\* Includes shares held with joint holders

# **DIRECTORS' SHAREHOLDINGS**

*as at 31<sup>st</sup> December 2011*

<b><u>NAME OF SHAREHOLDERS</u></b>	<b><u>UNITS</u></b>
Ian Levy*	318,929,440
Paul Hoo*	227,568,859
David McBean*	4,074,867
Brian George	2,246,647
Barrington Chisholm	994,871
Curtis Martin*	774,867
Steven Hudson*	587,433
John Graham*	1,000
Georgios Sampson	NIL
Nicholas Mouttet	NIL
Nikolaos Nikolakopoulos	NIL

\* Includes shares held by joint holders

# **SENIOR MANAGERS' SHAREHOLDINGS**

*as at 31<sup>st</sup> December 2011*

<b><u>NAME OF SHAREHOLDERS</u></b>	<b><u>UNITS</u></b>
Brian George	2,246,647
James Morrison*	150,000
Sonia Davidson*	31,200
Wayne Boodasingh	NIL
Georgios Souris	NIL
Lorna Gooden*	16,600
Janette Conie	10,000
May Lawrence Evans*	3,000
Michael Smith	2,000
Andrew Bromley	4,000
Nigel Warmington	NIL
Bernard Morrison	NIL
Lancelot Thomas	NIL

\* Includes shares held by joint holders

# PROXY FORM

I/We \_\_\_\_\_

of \_\_\_\_\_

being a Member/Members of the above-named Company, hereby appoint \_\_\_\_\_

\_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ as my/our

Proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held at the Wyndham Kingston Hotel, 77 Knutsford Boulevard, Kingston 5, Jamaica, West Indies, on Thursday, 24<sup>th</sup> May 2012 at 10:00 a.m. and at any adjournment thereof.

Dated the \_\_\_\_\_ day of \_\_\_\_\_ 2012.

Signed \_\_\_\_\_

## NOTES:

1. This Form of Proxy must be received by the Secretary of the Company at 19 Ripon Road, Kingston 5, Jamaica , W.I., not less than 48 hours before the time appointed for the meeting.
2. This Form of Proxy should bear stamp duty of J\$100.00 or its equivalent. Adhesive stamps are to be cancelled by the person signing the Proxy.
3. If the person appointing a Proxy is a Corporation, this Form of Proxy must be executed under the Common Seal or under the hand of an officer or attorney duly authorized in writing.

# SUPREME VENTURES

*Gives people love to play...and more*

**Supreme Ventures Limited**  
**Corporate Office: 4th Floor, Sagcor Centre**  
**28-48 Barbados Avenue, Kingston 5, Jamaica, W.I.**  
**Tel: (876) 754-6526 Fax: (876) 754-2143**  
**Email: [communications@svlotteries.com](mailto:communications@svlotteries.com)**  
**Website: [www.supremeventures.com](http://www.supremeventures.com)**

