

# BETTING, GAMING & LOTTERIES COMMISSION



## ANNUAL REPORT 2013 - 2014



REGULATING | FACILITATING | ENABLING



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Annual Report 2013-2014  
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# VISION

*To be a world class gaming facilitator,  
providing timely and equitable quality  
service to all stakeholders.*

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# MISSION

*To ensure the highest standards of probity and integrity within the betting, gaming and lottery sectors, in order to engender a high level of public confidence in gaming activities, thereby facilitating the orderly growth of the sectors and ensuring that government revenue is protected. This will be accomplished by satisfying the needs of internal and external stakeholders, ensuring responsiveness to, and equity throughout the industry with a motivated, professional staff.*

# TABLE OF CONTENTS

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INTRODUCTION .....	4
BOARD OF COMMISSIONERS .....	7
SENIOR MANAGEMENT TEAM .....	8
ORGANISATIONAL CHART .....	9
CHAIRMAN'S REPORT.....	10
EXECUTIVE DIRECTOR'S REPORT .....	14
STATISTICAL HIGHLIGHTS .....	19
BETTING SECTOR .....	21
LOTTERY SECTOR.....	26
GAMING SECTOR .....	32
PRIZE PROMOTIONS .....	38
ENFORCEMENT.....	39
LEGAL .....	42
INFORMATION & COMMUNICATION TECHNOLOGY .....	45
HUMAN RESOURCES & ADMINISTRATION .....	49
INTERNAL AUDIT .....	51
COMMUNICATIONS & RESEARCH.....	52
AUDITOR'S REPORT AND FINANCIAL STATEMENTS.....	54

## INTRODUCTION

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The Betting, Gaming and Lotteries Commission is pleased to present the 39<sup>th</sup> Annual Report and Statements of Revenue and Expenditure for the period April 1, 2013 to March 31, 2014.

Actual figures, including totals in most tables, have been rounded to the nearest (\$) million. As a result, some corresponding percentages will reflect changes due to this rounding.

***Note: Income figures contained in the sector reports will not necessarily correspond with those reflected in the Financial Statements due to differences in the periods used to capture data in the Financial Statements as compared with the licensees' reporting periods.***

### The Commission

The Betting, Gaming and Lotteries Commission is an independent statutory body established in 1975 under the provisions of the Betting, Gaming and Lotteries Act of 1965. The Commission licenses, regulates and monitors the local Gaming Industry, facilitates its growth and development, and protects the public from unfair, unscrupulous and illegal activities.

Specifically, the Commission:

- regulates and controls the operation of betting, gaming and the conduct of lotteries in Jamaica;
- grants permits, licences and approvals to persons or entities considered fit and proper to conduct betting, gaming and lottery activities;
- examines, in consultation with such organizations and persons as it considers appropriate, problems relating to the operation of betting, gaming and lotteries;
- conducts investigations, studies and surveys for the purpose of obtaining information for use in the exercise of its functions;
- furnishes information and advice to the Minister of Finance in accordance with the exercise of the Minister's function under the Act and recommends legislative amendments pertaining to the Act, Regulations and Orders to ensure orderly development of the industry.

**Board of Commissioners**

With effect from March 31, 2012, the Board is comprised of Chairman, Gary Peart (Banker), Commissioners, Mrs. Monique Harrison-Beckford (Atty-At-Law) and Messrs. Terrence V. Allen, FICB (Realtor) Leacroft Forden (Finance Solutions Manager), Gilroy English (Atty-At-Law) and Peter Reid (Banker). A new Company Secretary, Ms Anna Young, was appointed on March 14, 2014.

**Composition of Board Sub-committees****Audit**

Mr. Terrence V. Allen (Chairman)  
Mr. Gilroy English

**Finance**

Mr. Peter Reid (Chairman)  
Mr. Leacroft Forden

**Legal & Regulatory**

Mr. Gilroy English (Chairman)  
Mr. Terrence Allen

**Special Projects**

Mr. Terrence V. Allen (Chairman)  
Mr. Gilroy English

**Human Resources**

Mrs. Monique Harrison-Beckford (Chairman)  
Mr. Terrence V. Allen

**Licensing & Registration**

Mr. Terrence V. Allen (Chairman)  
Mr. Gilroy English

**Security & Enforcement**

Mr. Gary Peart (Chairman)  
Mr. Leacroft Forden

The Executive Director attends all Board and Board sub-committee meetings. All Commissioners have given exceptional service to the Commission as evidenced by the meeting attendance record which shows their regular attendance and participation in Board and sub-committee meetings. Divisional Heads are invited to respective sub-committee meetings. The Company Secretary attends all Board and sub-committee meetings.

### Compensation for Commissioners 2013 – 2014

Position	Fees	Travelling	Total
	(\$)	(\$)	(\$)
Chairman(GP)	234,539	8,287	242,826
Commissioner (TA)	345,250	21,900	367,150
Commissioner (MB)	104,875	1,536	106,411
Commissioner (PR)	97,250	-	97,250
Commissioner (LF)	115,875	4,750	120,625
Commissioner (GE)	166,875	4,750	171,625
Secretary (AY)*	129,000	-	129,000
<b>TOTAL</b>	<b>1,193,664</b>	<b>41,223</b>	<b>1,234,887</b>

Notes:

1. Board members are paid fees as stipulated by the Government. However, Commissioners attended numerous meetings based on their regulatory and other functions.

\* Accrued fees prorated to March 31, 2014.

## BOARD OF COMMISSIONERS

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Gary Peart  
Chairman



Leacroft Forden



Monique Harrison-Beckford



Terrence Allen, FICB, JP



Gilroy English



Peter Reid



Anna Young  
Company Secretary

## SENIOR MANAGEMENT TEAM

---



Jack Shirley  
Executive Director



Amina Maknoon  
Director, Legal Services



Gail Kamicka  
Director, Human Resources  
& Administration



Carole Martinez-Johnson  
Director, Information &  
Communication Technology



Garnett Daley  
Director, Enforcement



Charles Hayles  
Director, Licensing &  
Registration



Laurie Wiggan  
Director, Compliance &  
Regulatory



Lorraine Thompson-Barnett  
Director, Finance &  
Accounts (Actg.)

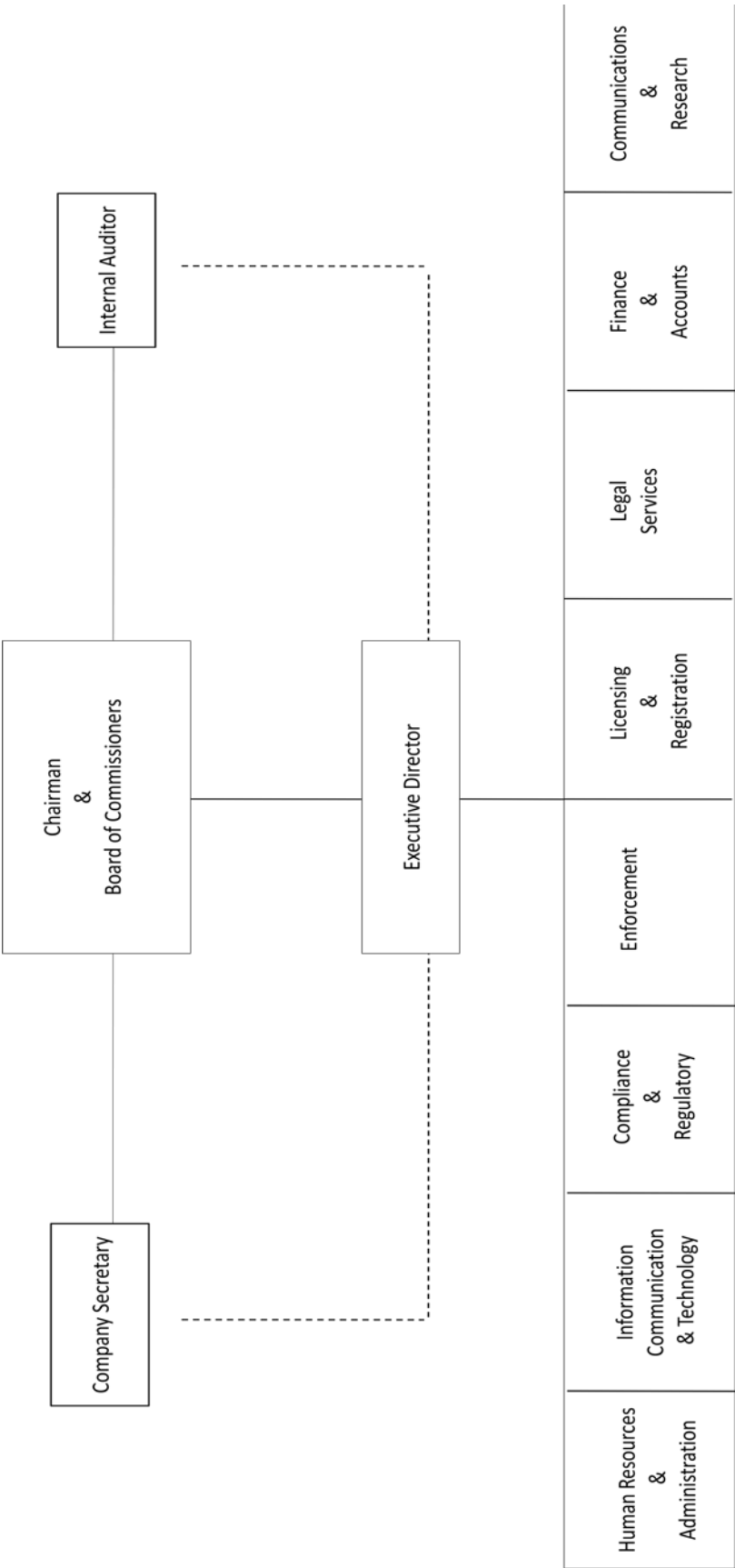


Winston Jackson  
Internal Auditor



Jana Bent  
Manager, Communications  
& Research

# ORGANISATIONAL CHART



## CHAIRMAN'S REPORT



**Gary Pearl**  
Chairman

**“Jamaica is on the cusp of being catapulted from archaic gaming forms and practices, to the cutting edge of all sectors, in terms of available and serviceable technology, visionary legal framework and effective administration.”**

There should be a well deserved sense of pride among the Board, management and staff of the BGLC as we observe the many fruits of our intense labour over the 2013-14 fiscal year. The incredible gains made during the period ought to give rise to a sense of accomplishment that should be shared by every member of the team, along with the supportive and collaborative stakeholders within the Gaming Industry.

The credit originates with Dr. the Hon. Peter Phillips, Minister of Finance and Planning, and the Hon. Horace Dalley, Minister without Portfolio in the Ministry of Finance and Planning, who, through their shared vision and support, facilitated a paradigm shift for the Commission and the local Gaming Industry as a whole.

Notably, the Honourable Ministers have ensured fast tracking for the passage of essential laws and regulations to address long-standing issues within the Industry. This created the framework that allowed us to regularise persons who, for years, were operating outside of the law. Well needed amendments to the legislation were finally realised and are now enabling growth and development of new business models and methodologies in gaming, and pushing our licensees into a more competitive position. This is vital to conveying a strong message to global and local investors that Jamaica is indeed open for their business in a climate where gaming, as a lucrative entertainment form, is virtually borderless, and where options are overwhelmingly varied.

Jamaica is on the cusp of being catapulted from archaic gaming forms and practices, to the cutting edge of all sectors, in terms of available and serviceable technology, visionary legal framework and effective administration. However, this progress can only be achieved through open and frank dialogue with our stakeholders and the public.

Consequently, our Inaugural Gaming Industry Summit is planned for early in the 2014-15 fiscal year to open these necessary discussions and to invite public input to achieve greater coordination of efforts.

The Commission strives to foster the development of a shared vision for Jamaica's Gaming Industry in which each member of this community forms a tightly knit network for success and growth. We have hit this higher ground running and intend to gather speed with clarity, modern technology and up-to-the minute information.

### **Revenue Management**

Entry into the 2013-2014 fiscal year was marked by major transitions and updates in taxes and fees. Lottery Tax rates increased effective April 1, 2013 and this resulted in increased contributions to the Government of Jamaica (GOJ) Consolidated Fund. Taxes from some lottery games increased from 17% to 20% while others increased from 23% to 25%. Fees payable to the BGLC increased from 1% of weekly lottery ticket sales to 1.8%. In addition, the CHASE Fund now receives a single rate of 3.65% of weekly lottery ticket sales, and this was introduced to replace the multiple tax rates per lottery game. There was no increase in tax rates for the Betting sector.

In terms of revenue allocation, the reapportionment in March 2013 of unclaimed lottery winnings from the previous 50:50 split between the licensee (Supreme Ventures Limited) and the CHASE Fund, to the current split between the BGLC (to the Consolidated Fund) and the CHASE Fund, has significantly boosted revenues to the Government.

Additionally, Sunday and Holiday Lottery (except Christmas Day & Good Friday) were introduced on April 1, 2013 which positively impacted sales, contributing \$2.727 billion or 9% of total sales to the Lottery sector.

The combined earnings from all sectors of the Industry were also favourable, moving from \$4.044 billion in 2012-2013, to \$4.889 billion this year. The lottery sector recorded the highest rate of growth for the year, and generated \$4.249 billion in Government revenues. With consistent increase in earnings over consecutive fiscal periods, we are optimistic that the Gaming Industry will continue on a growth trajectory, with the potential to grow by another \$1 billion in the next financial year.

### **Legislative Enhancements**

In collaboration with the Bank of Jamaica, the Commission embarked on an intensive sensitisation campaign during the year to guide both staff and our licensees through a major adjustment in operation and focus—that of adhering to the new international requirements under the Caribbean Financial Action Task Force (CFATF) for the Proceeds of Crime Act (POCA)/Anti-Money Laundering legislation. For us at the Commission, the law primarily affects those of our licensees that are now classified as Designated Non

Financial Institutions (DNFIs); namely, gaming lounges with twenty (20) and over gaming machines. We have led the way in ensuring that staff and licensees are up to speed on the requirements under the Act and preparations are underway for the next round of training in the POCA compliance measures that must be adopted by all DNFIs in the new fiscal year, to ensure full compliance by April 2015.

Recognising the challenges some licensees may face in achieving this, the Commission will initiate preparation and dissemination of POCA compliance guidelines as well as a sustained public education campaign to ensure greater awareness and support during the transition phase. In spite of the resistance some may have to these measures, it remains our mandate to successfully complete the process of training and preparation for POCA compliance to help all DNFIs protect themselves from prosecution under the Act.

With regard to Amendments to the Betting, Gaming and Lotteries Act (BGLA), a system of Fixed Penalties has been introduced in an effort to apply some reasonable standards for prosecuting offenders, commensurate with the losses our nation and our licensees sustain as a result of illegal activities. Resident Magistrates will be given the opportunity to explore in detail all of the Amendments to the Act along with the complete schedule of penalties during sensitisation sessions being planned by the Commission for the ensuing year.

## Outlook

With Internet access now ubiquitous through mobile and computer devices, Internet Gaming is present and unstoppable in our nation. Billed as one of the largest and most rapidly expanding markets globally, Internet Gaming had an estimated net worth of US\$30 billion in 2012.<sup>1</sup> Annual growth is expected to range between 7-10%, with mobile and social gaming categories accounting for much of this proliferation.<sup>2</sup> Over the past year, we have taken steps to commence a serious review of the potential of Internet Gaming in Jamaica, and should it be determined that it can be sized to fit our nation, given the necessary controls and protections for vulnerable groups, we may consider legalising this method of gaming.

Notably, the merger of the BGLC and the Jamaica Racing Commission (JRC) will be realised in the new fiscal year, with plans being formulated by a joint committee to help ease all parties through the transition. The Merger Committee began its work early in 2013 and plans are far advanced to launch the merger in two phases. We look forward to the completion of construction at Hagley Park Road to facilitate the first phase, a

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<sup>1</sup> Reuters (USA) – “Analyzing the Global Online Gambling Industry”, 26 Feb 2013, <http://www.reuters.com/article/2013/02/26/research-and-markets-idUSnBw1vKFjsa+118+BSW20130226>.

<sup>2</sup> *The Wall Street Journal*: Market Watch – “Global Online Gambling & Betting Market 2014”, 7 Apr 2014, <http://www.marketwatch.com/story/global-online-gambling-betting-market-2014-2014-04-07-11183410>.

physical merger, and the subsequent merging of the Jamaica Racing Commission Act with the Betting, Gaming and Lotteries Act to govern the two entities under one legislative instrument.

The property on Hagley Park Road has undergone extensive renovations to facilitate relocation later in 2014. In light of this, preparations are in high gear to place the property at 17 Ruthven Road, which currently houses the BGLC, on the market for sale.

## **Conclusion**

Notwithstanding the economic challenges our nation faced during the past year, the Commission has performed creditably in growing and protecting GOJ revenues. We look forward to the continued growth of Jamaica's Gaming Industry, bolstered by an effective and responsive regulatory framework to protect the interests of all stakeholders, and enable expansion of the market. It has been my distinct honour and pleasure to serve Dr. the Honourable Peter Phillips, Minister of Finance and Planning, and the Honourable Horace Dalley, Minister without Portfolio in the Ministry of Finance and Planning in furtherance of this mandate. We are guided by their support and energised through their vision to make the Jamaican Gaming Industry achieve its full potential, and position the Commission as a regional regulatory leader.

The BGLC is well on its way in that regard, and we are indebted to the Chief Parliamentary Council and the staff of the Ministry of Finance and Planning for their proactive and swift assistance in ensuring that the legislative structures are in place to strengthen and modernise the local environment. Likewise, I take this opportunity to thank our licensees for their continued support and cooperation as we strive to lift the standard of gaming practices in Jamaica, and to facilitate the orderly growth of the Industry.

Finally, I would like to express sincere gratitude to my fellow members of the Board of Commissioners for their invaluable service. With our stalwart Executive Director at the helm of operations, it has been a pleasure to steer the Betting Gaming and Lotteries Commission alongside this astute and committed team of executives. We have ridden the sharp learning curve together and have emerged a stronger unit through this journey.

On behalf of Board, I convey our collective appreciation to the management and staff of the BGLC for their commitment to improving service levels and for the hard-won achievements over this past year in service of our licensees and Jamaica.

**Gary Peart**  
Chairman

## EXECUTIVE DIRECTOR'S REPORT



**Jack Shirley**  
Executive Director

**“We ended the year with a net surplus of \$555.6 million against a budget of \$201 million, and from this surplus we were able to make a contribution of \$400 million to the GOJ Consolidated Fund.”**

The Commission experienced another successful year during the fiscal review period ended March 2014. The success attained was not unexpected, but was achieved through careful planning arising out of a focused approach towards our strategic objectives, a defined road map, and monthly monitoring to ensure we remain on track.

We missed some targets which were mainly contingent on the passing of legislation to expand the industry, but look forward to these being fully realised in the new fiscal year, 2014-2015.

### Financial Highlights

On the financial front, we had an impressive year. We ended the year with a net surplus of \$555.6 million against a budget of \$201 million, and from this surplus, we were able to make a contribution of \$400 million to the GOJ Consolidated Fund. Accumulated surplus increased by 72%, a spectacular movement from \$475.6 million to \$816.4 million.

Revenues of \$984 million were generated against projections of \$752 million, and corresponding costs of \$404 million were well contained, albeit in excess of the budget of \$310.4 million. Assets grew during the period by 16%, moving from \$726.9 million to \$847.1 million.

The Lottery sector continued to be a stellar performer, contributing \$763 million in revenue to the BGLC, or 81% of the \$943 million in total revenue earned by the Commission. Coming in next was the Gaming sector with \$119 million followed by the betting sector with \$46 million and Prize Promotions with \$14 million.

Our strong financial performance is partially attributed to the aggressive revenue protection and cost containment measures implemented during the year.

This resulted in significant reductions through controlled expenditure, including travel expenses and costs incurred by seizure and storage of gaming machines.

Our performance was further enhanced with closer monitoring of overtime and ensuring that all statutory and GOJ reporting deadlines were met on time. These combined with internal governance and reporting mechanisms resulted in improved presentation of monthly financials and variance analyses, better monitoring and overall improved financial administration.

### **Non-Financial Highlights**

At this juncture, I must highlight some additional noteworthy accomplishments during the year:

- The recommendations from the 2009 Ernst & Young Risk Management Report were implemented, resulting in the development of a Risk Management Framework to enable better management of enterprise-wide risks in an integrated fashion, so as to optimise returns from risk-taking activities and maximising value.
- Drafting of the long awaited Staff Procedures Manual was undertaken and completed.
- Union negotiations were harmoniously concluded.
- Significant improvement was observed during a follow-up inspection in May 2013 by the Public Accountability Inspectorate (PAI) Division of the Ministry of Finance and Planning (MOFP), based on a previous inspection conducted in August 2012.
- We implemented systems designed for more accurate Gross Profit Tax (GPT) reading and reporting to better determine revenue due to the Commission and the GOJ.
- Owing to the fact that we are working in an ever evolving industry with significant technical advancements, overseas conferences were attended by some of our senior officers in order to deepen understanding of best practices and trends in the global Gaming Industry. We also invited an overseas trainer to assist us in bridging knowledge and technology gaps, to enable us to stay abreast of industry advancements. In this way, we can be ready to respond to the demands of licensees and entrepreneurs in an expanding industry.

## **Governance and Management**

We ended the financial year under review below our approved staff complement as a restructuring proposal submitted to our oversight Ministry is still under consideration. This inordinate delay is owing to the fact that the pending merger with the Jamaica Racing Commission (JRC) is yet to be consummated, and, as such, vacancies remain unfilled to accommodate the realisation of the new entity.

Nevertheless, with a dedicated team of professionals, we remained undaunted and kept sight of the big picture. This was facilitated with some minor internal restructuring of our own by the promotion of several staff, the engagement of senior personnel in the key positions of Director of ICT and Manager of Communications and Research, and the renaming of the former Betting and Gaming Divisions, which are now known respectively as the Licensing & Registration and Compliance & Regulatory Divisions. To implement this change, two new Directors were appointed to head these divisions as we sought to move from a sector-oriented operational structure to a functional structure.

As a result of the engagement of these high level staff, we experienced an infusion of private sector modus operandi blending with the public sector guidelines, and this helped tremendously in implementing best practices as we worked on executing the initiatives to enable the transformation exercise to take root. To move this transformation initiative along, we upgraded our corporate website to be more informative and interactive, and expanded online access to registration and application with simplified forms. Further enhancements to the website are being rolled out on a phased basis and a more detailed report on the technical capabilities that will ensue, including the addition of an e-commerce platform to facilitate online payment, will be covered in our ICT divisional report.

In order to improve communication and dissemination of information to our stakeholders, the corporate communications arm, designated Communications and Research, was re-established to fully manage the Commission's communications, public education and relationship management needs. An immediate outcome was the development of a corporate logo—a first for the Commission—to visually represent the Commission's corporate identity and to improve our visibility among stakeholders.

To ensure that focus on the customer becomes and remains a way of life at the Commission, we developed a Customer Charter, Codes of Ethics and Conduct and Value Statements. These were buttressed by the development of an intranet site, an enhanced internal communication channel, to aid us in integrating and reinforcing our corporate values, standards and obligations, through active and sustained

communication with staff. In addition, training initiatives were undertaken to promote a customer-centric approach.

### **Corporate Social Responsibility**

Despite financial strictures, the Commission continued to demonstrate corporate social responsibility in several ways.

RISE Life Management Services offer the Caribbean's only gambling prevention, treatment and research programme, and has been a major beneficiary and continues to receive funding from the Commission. Financial contributions amounting to \$7.6 million was provided during the year to fund various programmes and interventions that focus on the prevention, treatment and research of gambling disorders as well as the promotion of responsible gaming among Jamaicans, and particularly youth.

Charitable donations totalling \$500,000 were disbursed over the period to several organisations and charities to assist with various social development initiatives that have benefitted the elderly, schools and children's homes. Notably, the Commission has adopted the Waterford Infant School, and this year provided funds amounting to \$100,000 towards the development of the school's library and learning facilities. The Commission will continue to offer financial support to the school on an annual basis.

### **Outlook**

Several undertakings are on the horizon for the ensuing 2014-15 financial year, as we anticipate an expanded industry arising from additional legislation due for passage in Parliament. Among them:

- Completion of technological improvements to facilitate full-scale online connectivity with our licensees;
- Merger with the Jamaica Racing Commission (JRC);
- Relocation to our new home at the Hagley Park Road premises to house both the BGLC and the JRC;
- A full staff complement to undertake the monitoring and supervision of a merged entity and the commensurate increased activities;
- Acquisition and installation of a Gaming Management Information System (GMIS);
- Acquisition and installation of new financial software (pending merger completion);
- A revised appraisal system that will enable a more objective assessment of job performance supported by HRMIS technology;

- Engagement of a Consultant to assist us with our transformation and values alignment initiatives;
- Implementation of a POCA/AML compliance policy and regulations for gaming lounges which were designated by an Act of Parliament as Designated Non-Financial Institutions (DNFIs) arising out of observance of treaty arrangements with the Caribbean Financial Action Task Force (CFATF);
- Drafting of a Policy and a Code of Conduct for Responsible Gaming; and
- Drafting of legislation to facilitate Internet Gaming.

In light of the foregoing, we look forward to continued successes with a robust, enterprising and august Board, and an engaged, well-trained and responsive team of talented individuals, to whom I am indeed indebted and grateful for their support and commitment.

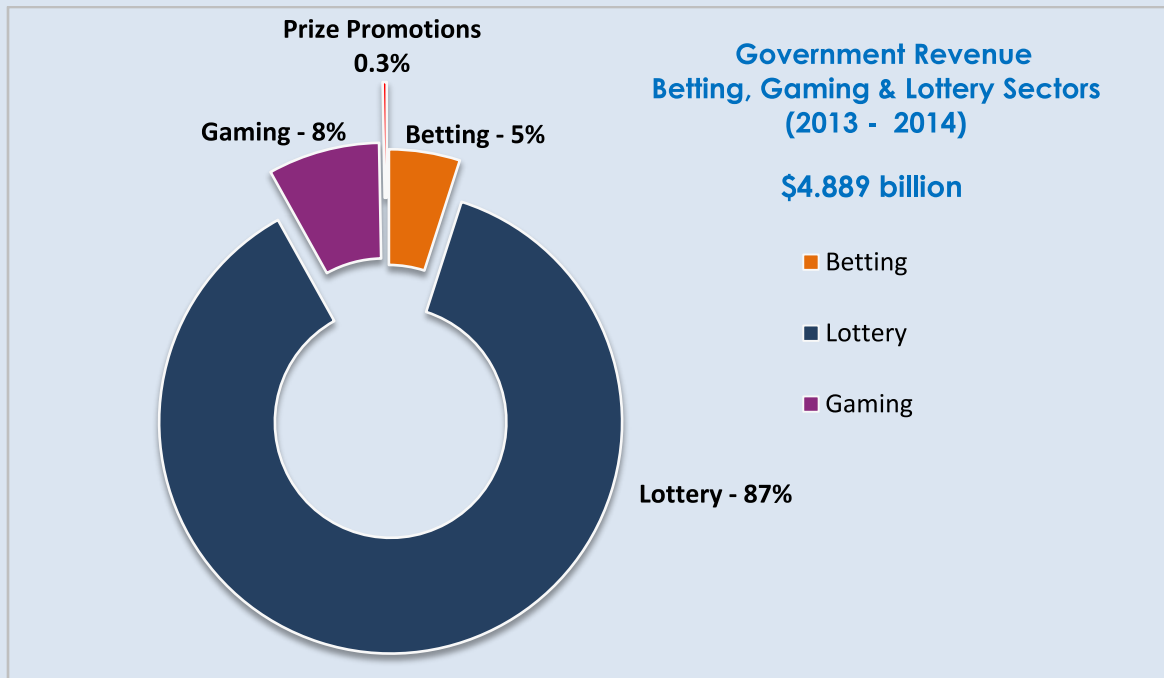
**A “Jack” Shirley**  
Executive Director

## STATISTICAL HIGHLIGHTS

Government Revenue	Consolidated Fund		BGLC		CHASE		JRC		TOTAL	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
<b>BETTING SECTOR</b>										
<b>Bookmakers</b>										
Local & Simulcast Racing	101	86	32	29	-	-	46	43	179	157
Sports Betting	10	7	1	1	1	2	-	-	11	10
Unclaimed Winnings	-	-	3	3	-	-	-	-	3	3
Bookmakers Permit & Licence Fees	-	-	11	-	-	-	-	-	11	0
<b>Racing Promoter (CTL)</b>	0	4	0	11	-	-	39	16	39	31
<b>TOTAL - BETTING</b>	<b>111</b>	<b>97</b>	<b>46</b>	<b>44</b>	<b>1</b>	<b>2</b>	<b>85</b>	<b>59</b>	<b>242</b>	<b>201</b>
<b>LOTTERY SECTOR</b>										
Lottery Taxes & Lottery Tax Winning Levy	2,179	1,756	572	253	1,153	1,175	-	-	3,903	3,184
Unclaimed Winnings	-	-	154	88	154	188	-	-	309	276
Lottery Fees	-	-	37	27	-	-	-	-	37	27
<b>TOTAL - LOTTERY</b>	<b>2,179</b>	<b>1,756</b>	<b>763</b>	<b>368</b>	<b>1,307</b>	<b>1,363</b>	<b>-</b>	<b>-</b>	<b>4,249</b>	<b>3,487</b>
<b>GAMING SECTOR</b>										
Gaming Machine Levies & Fees	30	26	35	16	-	-	-	-	65	42
Levies, Gross Profit Taxes & Contribution to Good Cause	211	196	84	75	33	30	-	-	327	301
<b>TOTAL - GAMING</b>	<b>241</b>	<b>222</b>	<b>119</b>	<b>91</b>	<b>33</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>382</b>	<b>393</b>
<b>PRIZE PROMOTIONS</b>										
Prize Competition Fees	-	-	14	13	-	-	-	-	14	13
<b>GRAND TOTAL</b>	<b>2,530</b>	<b>2,075</b>	<b>943</b>	<b>516</b>	<b>1,341</b>	<b>1,395</b>	<b>85</b>	<b>59</b>	<b>4,889</b>	<b>4,044</b>

### Performance of the Betting, Gaming & Lotteries Sectors (2013-2014)

Total Government Revenue from the Betting, Gaming and Lotteries sectors amounted to \$4.889 billion. The graph below shows the composition of total Government revenue by sectors. The Lottery sector contributed 87% of total revenue. The Gaming and Betting sectors each contributed 8% and 5% respectively.



### Summary of sector Sales, Payout and Gross Profit 2012-2013<sup>3</sup>

	2013-2014		
	SALES	PAYOUT	GROSS PROFIT
Betting	7,772,200,927	5,752,073,608	2,020,127,319
Gaming	57,962,394,083	54,472,264,976	3,490,129,107
Lottery	31,990,561,080	22,308,046,122	9,682,514,958
<b>TOTAL</b>	<b>97,725,156,090</b>	<b>82,532,384,706</b>	<b>15,192,771,384</b>

<sup>3</sup> Information on Sales, Payout and Gross Profit for 2012-2013 for the Gaming sector is unavailable to provide comparison of combined sectors

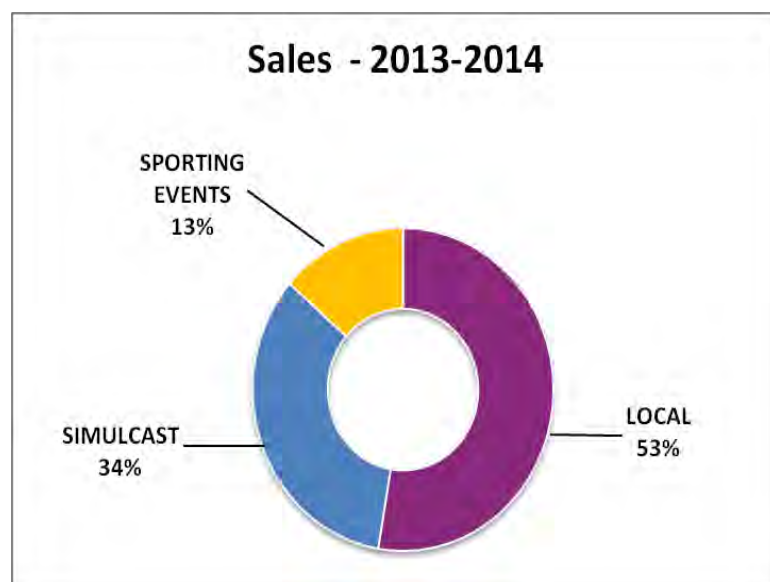
## BETTING SECTOR

### Betting Sector Highlights

The Betting sector recorded total sales of \$7.772 billion with a payout of 74% to punters. This represented a 6% increase over the 2012-2013 fiscal year. The racing promoter, Caymanas Track Limited, accounted for 56% of total sales with the remaining 44% from bookmakers.

SUMMARY OF BETTING SECTOR SALES, PAYOUT AND GROSS PROFIT - 2013-2014			
	BOOKMAKERS	RACING PROMOTER	BETTING SECTOR
SALES	3,432,275,854	4,339,925,064	7,772,200,918
PAYOUT	2,302,432,033	3,450,573,395	5,753,005,428
GROSS PROFIT	1,129,843,821	889,351,669	2,019,195,490

Bookmakers contributed 56% of the total Gross Profit amounting to \$2.019 billion available for Government levies. One bookmaker, Olympic Data Services Limited, which operates within the Montego Bay Free Zone, is not liable for the payment of Gross Profit Tax and contributions, and is not included in the Betting sector highlights.



Local Horseracing contributed 53% of sales to the Betting sector with a growth rate of 4%.

Sales for Simulcast Horseracing increased by 8%, while sales for sporting events increased by 36%.

The growth in sporting events is a direct response by bookmakers to provide punters with an array of gambling opportunities.

## Performance of Bookmakers

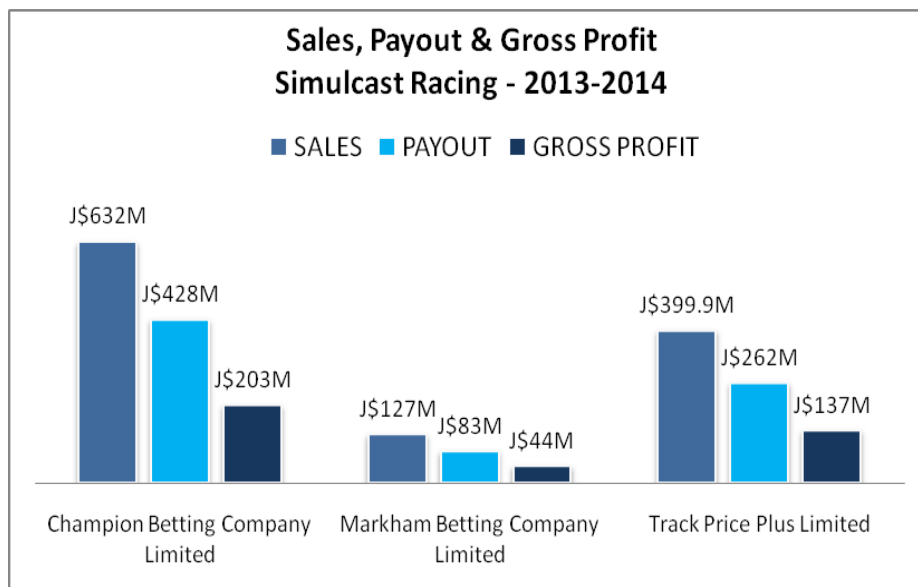
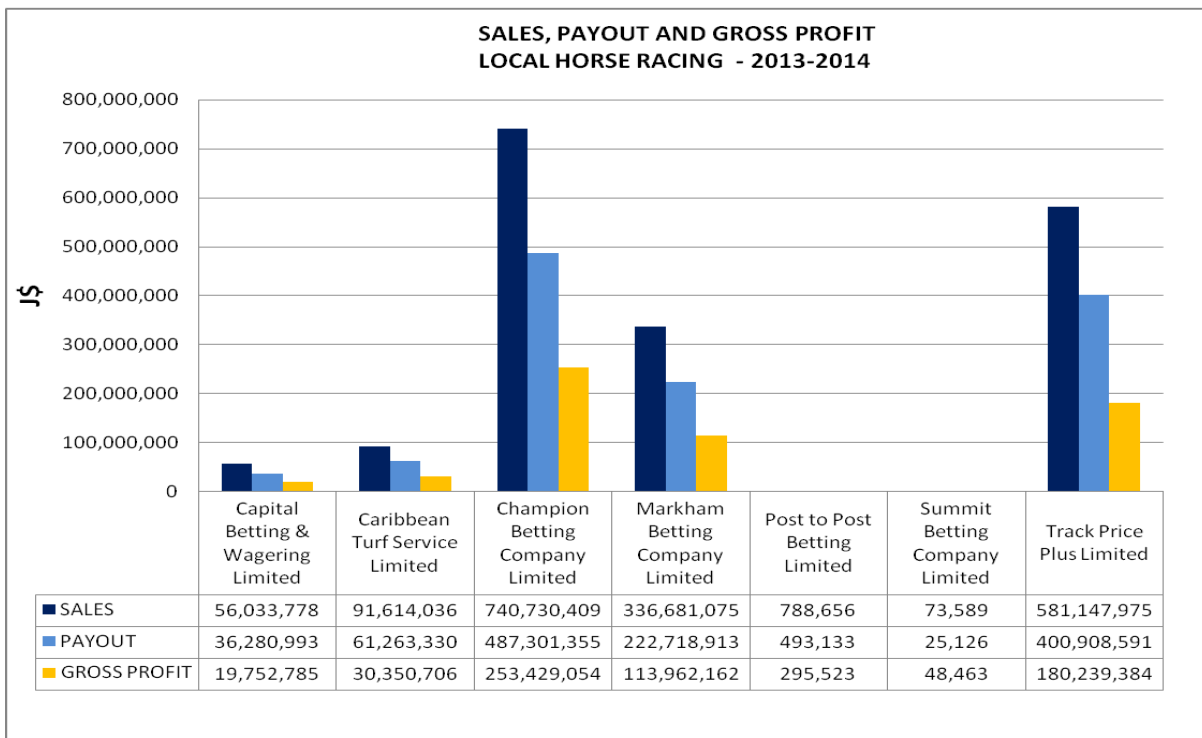
The table below shows the performance of bookmakers in the Betting sector. Champion Betting Company Limited continues to be the top performer, followed by Track Price Plus Limited and Prime Sports (Jamaica) Limited. Prime Sports (Jamaica) Limited only offers sports bets through its flagship brand “JustBet”.

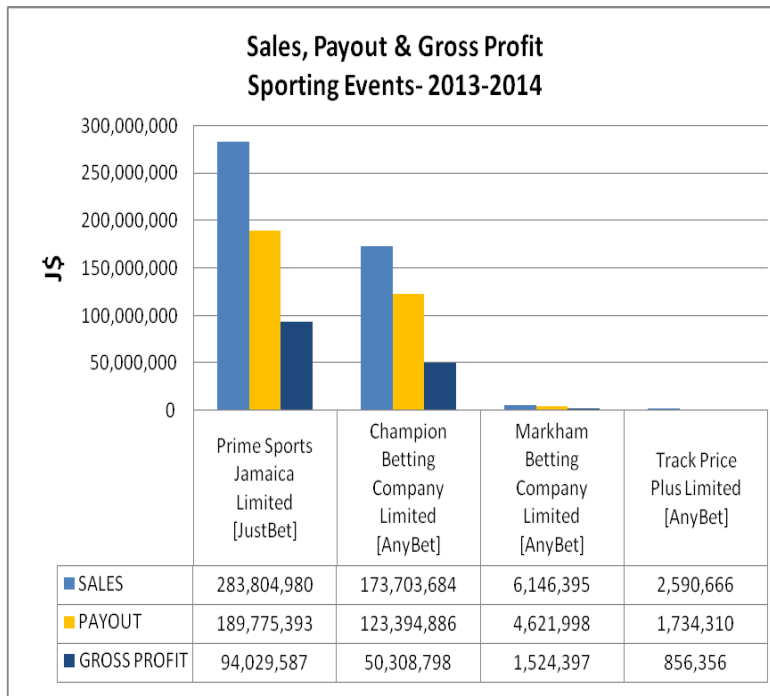
There was a marginal increase in sales by 9% and a 6% increase in gross profit year over year. Decline in performance was seen in five (5) bookmakers during the year.

BOOKMAKERS	COMPARATIVE SUMMARY OF BOOKMAKERS SALES, PAYOUT & GROSS PROFIT								
	2013-2014			2012-2013			% CHANGE		
	SALES	PAYOUT	GROSS PROFIT	SALES	PAYOUT	GROSS PROFIT	SALES	PAYOUT	GROSS PROFIT
Prime Sports Jamaica Limited	283,804,980	189,775,393	94,029,587	253,078,980	165,368,486	87,710,494	12%	15%	7%
Capital Betting & Wagering Limited	56,033,778	36,280,993	19,752,785	72,316,046	48,403,109	23,912,937	-23%	-25%	-17%
Caribbean Turf Service Limited	91,614,036	61,263,330	30,350,706	98,603,050	62,192,089	36,410,961	-7%	-1%	-17%
Champion Betting Company Limited	1,546,158,131	1,039,026,832	507,131,299	1,193,309,356	775,234,818	418,074,538	30%	34%	21%
Ideal Betting Company Limited	-	-	-	160,607,337	109,071,905	51,535,432	-100%	-100%	-100%
Markham Betting Company Limited	470,109,213	310,432,511	159,676,702	536,867,351	367,835,543	169,031,808	-12%	-16%	-6%
Post to Post Betting Limited	788,656	493,133	295,523	1,087,194	641,707	445,487	-27%	-23%	-34%
Summit Betting Company Limited	73,589	25,126	48,463	323,956	206,881	117,075	-77%	-88%	-59%
Track Price Plus Limited	983,693,471	665,134,715	318,558,756	831,202,895	547,874,019	283,328,876	18%	21%	12%
<b>TOTAL</b>	<b>3,432,275,854</b>	<b>2,302,432,033</b>	<b>1,129,843,821</b>	<b>3,147,396,165</b>	<b>2,076,828,557</b>	<b>1,070,567,608</b>	<b>9%</b>	<b>11%</b>	<b>6%</b>

A comparison of sales, payout and gross profit for each bookmaker for local, simulcast and sporting events is captured in the graphs below.

Champion Betting Company Limited recorded the highest growth in sales and gross profit for 2013-2014 for local and simulcast racing. This is primarily due to its larger network of betting offices and betting lounges that offer local and simulcast racing island-wide, compared to the other bookmakers. Capital Betting & Wagering Limited showed a 23% reduction in sales (primarily local racing) due to closure of several of its betting locations, moving from thirty-four (34) in 2012-2013 to thirteen (13) in 2013-2014.



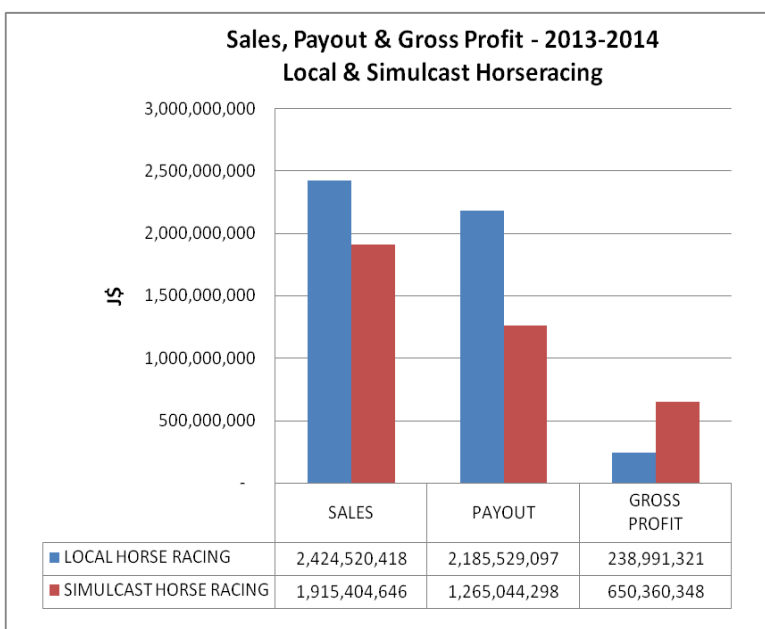


The sports betting brand, “JustBet”, dominated the sporting events category during the year, representing 74% of total sales.

Sports betting sales from Markham Betting Company Limited declined by 87% as the company offered the “Anybet” product for only three (3) months during the period under review – April, February and March 2014.

Likewise, Track Price Plus Limited offered the “AnyBet” product for only two (2) months during the year. With the unavailability of locations for Markham Betting Company Limited and Track Price Plus Limited, more punters utilised Champion Betting Company's licensed betting offices and betting lounges.

### Performance of the Racing Promoter – Caymanas Track Limited (CTL)



Local horseracing contributed 56% to earnings within the sector, while simulcast races contributed 44%. However, despite lower overall sales, simulcast racing accounted for 73% of the total (taxable) gross profit, primarily due to lower payout ratios in comparison to local horseracing.

## Betting Sector Taxes, Duties and Levies

Total Government revenue earned from the Betting sector amounted to \$242 million, of which \$218 million was paid. The following tables show the levies, taxes and duties paid for 2013-2014. Local racing accounted for 51% of the total amount paid, while simulcast racing contributed 43%.

GOVERNMENT REVENUE EARNED FROM BETTING SECTOR		
	PAYABLE	PAID
<b>Consolidated Fund</b>	116,576,838	101,039,143
<b>BGLC</b>	39,854,450	31,739,719
<b>JRC</b>	84,261,440	84,636,384
<b>CHASE</b>	1,467,191	834,761
<b>TOTAL</b>	242,159,918	218,250,007

BETTING SECTOR TAXES, DUTIES & LEVIES								
BOOKMAKERS								
	LOCAL RACING		SIMULCAST		SPORTING EVENTS		TOTAL	
	PAYABLE	PAID	PAYABLE	PAID	PAYABLE	PAID	PAYABLE	PAID
<b>Consolidated Fund</b>	53,865,269	55,362,202	34,654,195	36,138,529	10,270,340	9,538,412	98,789,803	101,039,143
<b>BGLC</b>	17,942,343	18,669,142	11,551,398	12,046,175	1,467,191	1,024,402	30,960,932	31,739,719
<b>JRC</b>	26,913,514	28,002,121	17,327,097	18,069,261	-	-	44,240,612	46,071,382
<b>CHASE</b>	-	-	-	-	1,467,191	834,761	1,467,191	834,761
	98,721,126	102,033,465	63,532,690	66,253,965	13,204,722	11,397,575	175,458,538	179,685,005
RACING PROMOTER (CTL)								
	LOCAL RACING		SIMULCAST				TOTAL	
	PAYABLE	PAID	PAYABLE	PAID			PAYABLE	PAID
<b>Consolidated Fund</b>	4,779,828	-	13,007,207	-			17,787,035	-
<b>BGLC</b>	2,389,914	-	6,503,603	-			8,893,517	-
<b>JRC</b>	10,754,612	10,146,179	29,266,216	28,418,823			40,020,828	38,565,002
	17,924,354	10,146,179	48,777,026	28,418,823			66,701,380	38,565,002
<b>INDUSTRY TOTAL</b>	116,645,480	112,179,644	112,309,716	94,672,788	13,204,722	11,397,575	242,159,918	218,250,007

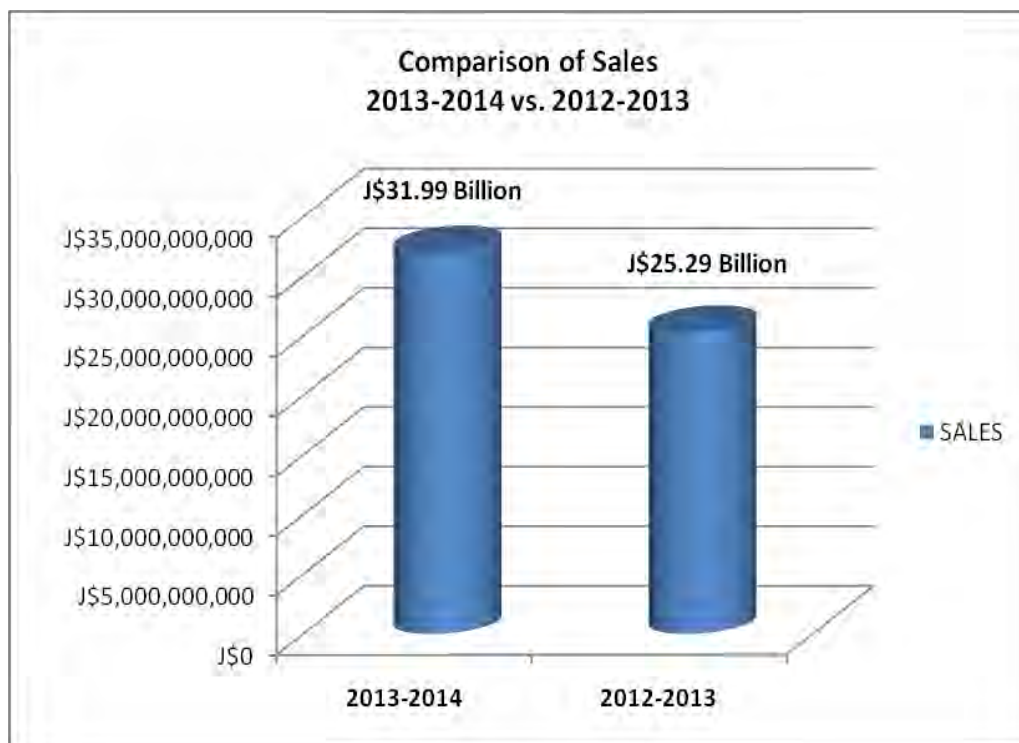
## LOTTERY SECTOR

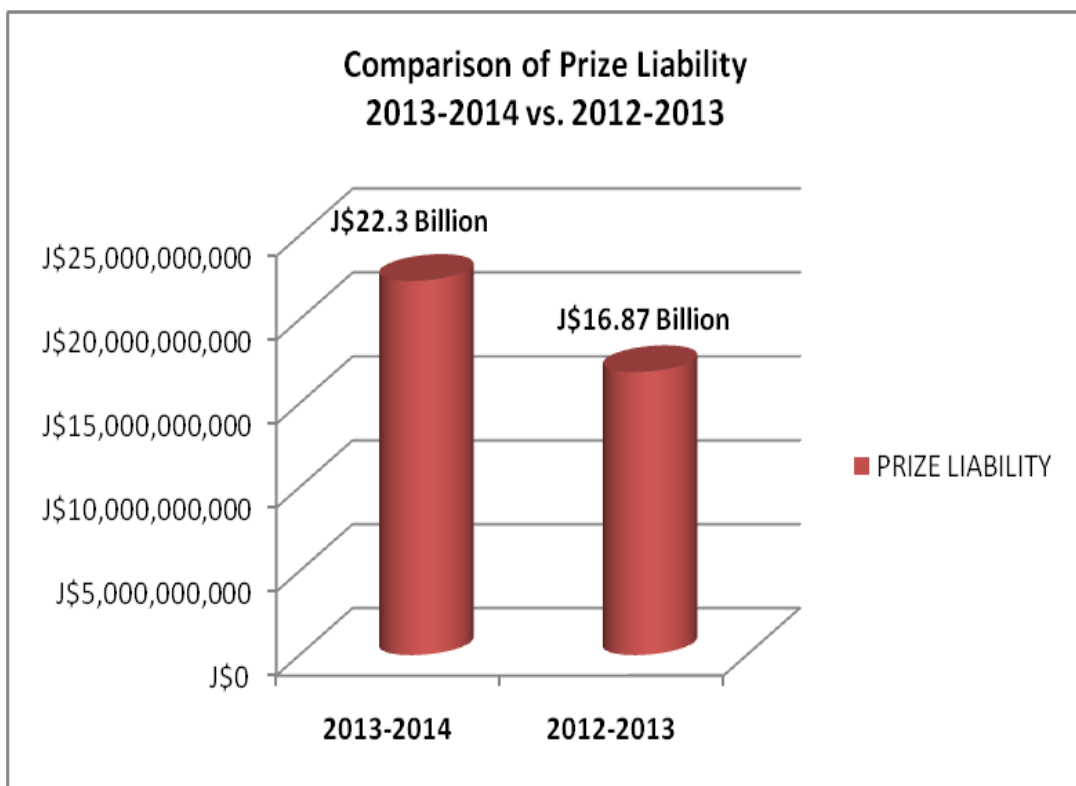
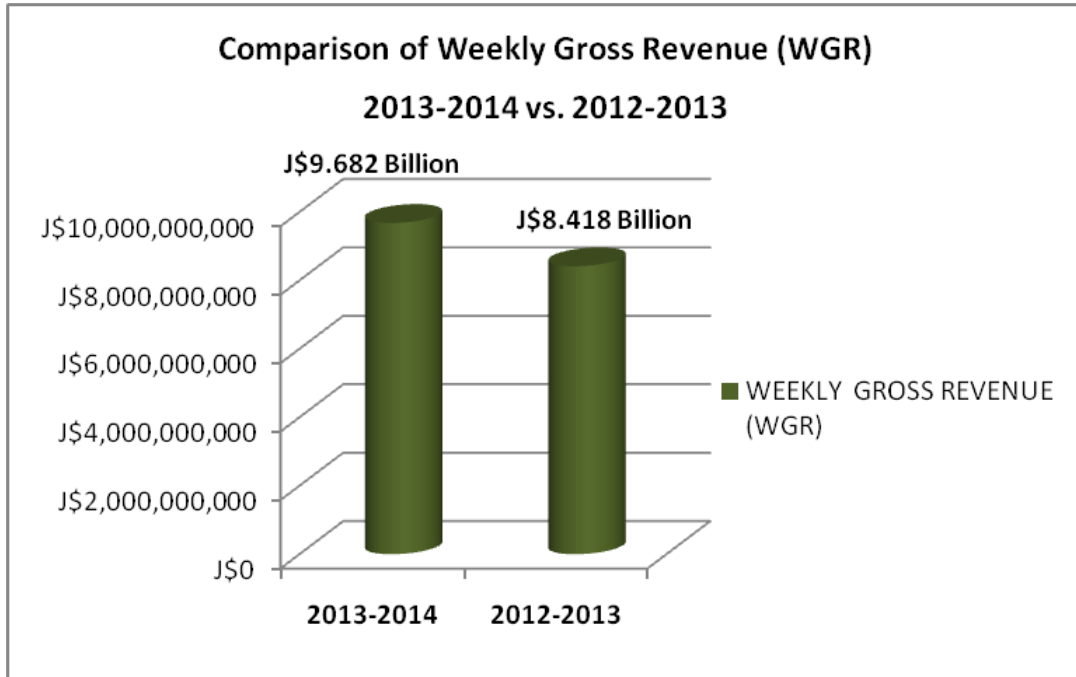
### Sales, Prize Liability & Weekly Gross Revenue

The contribution to Government revenue from the Lottery Sector was generated by Prime Sports (Jamaica) Limited. The Cash Pot game recorded the largest payout of \$18.7 billion while the lowest was Instant Games. Weekly gross revenue increased by 15% when compared to the previous year.

Total sales generated amounted to J\$31.991 billion, a 26% increase over 2012-2013, contributing \$4.249 billion in Government revenue. Sunday and Holiday Lottery (except Christmas Day & Good Friday) was introduced April 1, 2013 which positively impacted sales, contributing \$2.727 billion or 9% of total sales to the sector.

Total prize liability was \$22.3 billion and represented 70% of sales for 2013-2014 (2012-2013: \$17 billion/66.7%). The increase in prize liability by 32% was directly attributed to the popular lottery games performing above their game design, resulting in increased payouts to winners compared to the previous year.

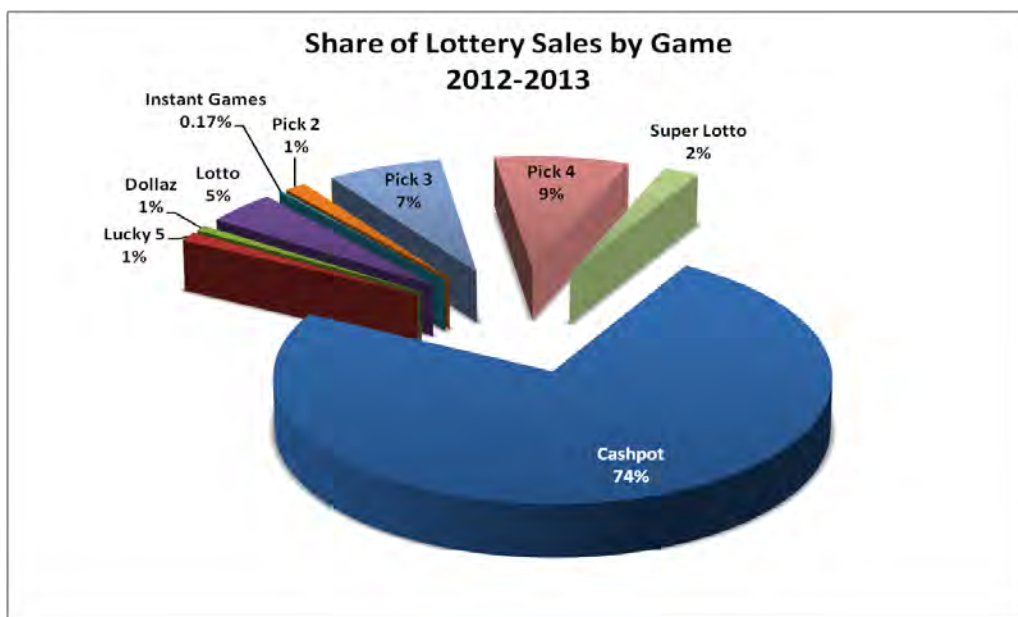
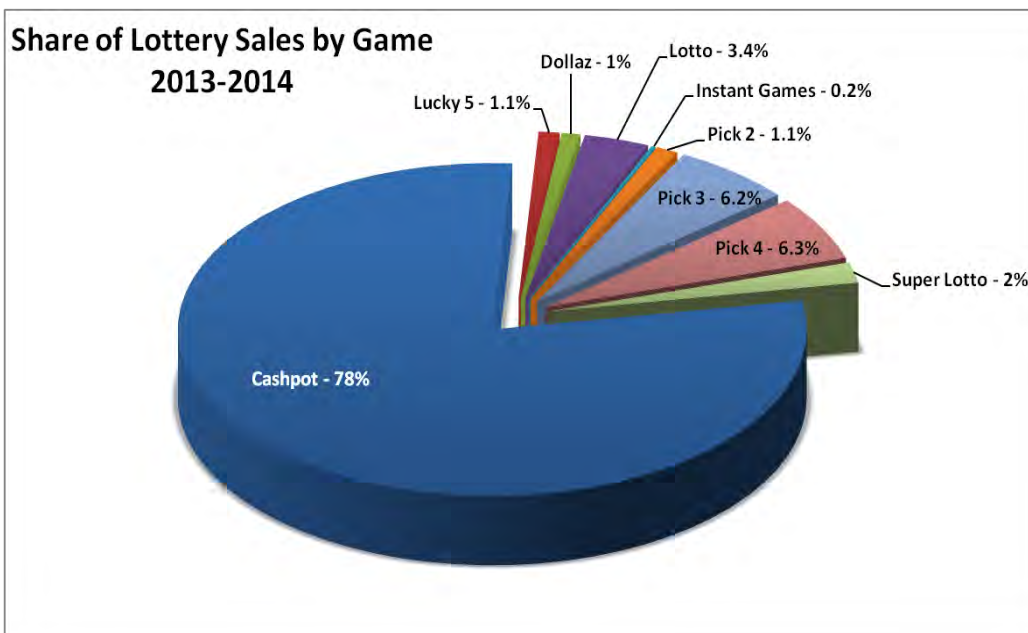




### Comparison of Lottery Game Sales

Summary of Lottery Game Sales performance for 2013-2014 shows that the Cash Pot lottery game continues to be the market leader, contributing 78.8% of total sales, followed by Pick 3 (6.2%) and Pick 4 (6.3%).

While Cash Pot marginally increased, other games, primarily Lotto, Pick 3 and Pick 4, showed an adverse movement in sales when compared to 2012-2013. Cash Pot and Pick 2 liability were above the game design at the end of March 31, 2014, recording 74% and 60% respectively. The expected prize liability is Cash Pot - 72% and Pick 2 - 57.87%.



## Government Levy and Lottery Tax

The combined Levies and Lottery Winnings Taxes paid for the year amounted to \$2.178 billion, an increase of 24% over the previous year. The increase in Government Levy is attributable to the increase in Lottery Tax rates effective April 1, 2013, Sunday & Holiday Lottery as well as increase in Weekly Gross Revenue. Government Revenue from Sunday and Holiday Lottery totalled \$324,731,891. However, there was a 5% decreased in actual Lottery Winnings Taxes collected.

GOVERNMENT LEVY & LOTTERY TAX					
	2013 - 2014			2012 - 2013	
	Lottery Tax			Lottery Tax	
	Lottery Tax Rates (%)	PAYABLE	PAID	Lottery Tax Rates (%)	PAID
<b>GAMES</b>					
Cashpot	20%	1,292,410,828.00	1,268,275,389	17%	938,944,725
Lucky 5	20%	36,784,634.70	36,538,530	17%	30,097,474
Pick 2	20%	29,508,777.00	29,535,499	23%	19,764,656
Pick 3	20%	161,272,794.00	160,326,448	17%	122,398,565
Pick 4	20%	195,463,888.00	198,991,184	17%	121,648,634
Instant Games	20%	5,456,582.00	5,430,184	17%	3,128,927
Super Lotto	25%	79,734,302.50	79,195,938	23%	65,814,135
Dollaz	25%	35,533,108.00	34,846,230	23%	22,945,926
Lotto	25%	128,573,527.14	128,432,671	23%	183,343,604
Sub Total		<b>1,964,738,441</b>	<b>1,941,572,073</b>		<b>1,508,086,644.87</b>
<b>Lottery Winnings Levy (on winnings over \$15,000)</b>			236,971,263		248,281,519
<b>TOTAL</b>		<b>1,964,738,441</b>	<b>2,178,543,336</b>		<b>1,756,368,163.87</b>

## Contributions to Good Causes

Contributions from all games amounted to \$1.143 billion, a decrease of 3% compared to the previous year. In addition, contributions from unclaimed prizes decreased by 18% compared to 2012-2013.

The overall reduction resulted from:

- Changes in the contribution rates. A single tax rate of 3.65% of Weekly Ticket Sales was introduced to replace the multiple tax rates per game. In addition, the contribution rate for Cash Pot changed from 15% of Gross Revenue to the single tax rate.

- b) Re-allocation of contributions from unclaimed prizes which took effect April 1, 2013. Prior to March 2013, unclaimed winnings in the Lotteries sector were apportioned 50:50 – Licensee (Supreme Ventures Limited) and Chase Fund. However, effective April 1, 2013, the apportionment became 50:50 – BGLC (Consolidated Fund) and Chase Fund.

CONTRIBUTIONS TO GOOD CAUSES				
CHASE				
2013-2014				
GAMES	PAYABLE			PAID
	From			
	Contribution from Unclaimed			
	Sales	Prizes	TOTAL	
Cash Pot	897,205,048	38,953,200	936,158,248	902,145,386
Lucky 5	12,406,278	3,647,809	16,054,087	13,070,876
Pick 2	14,626,396	7,318,505	21,944,901	13,261,371
Pick 3	70,535,831	11,014,627	81,550,458	71,024,668
Pick 4	73,221,350	18,768,488	91,989,838	73,735,109
Instant Games	2,287,036	-	2,287,036	2,470,497
Super Lotto	23,104,752	49,293,327	72,398,079	24,549,484
Dollaz	10,555,699	4,508,651	15,064,350	11,004,959
Lotto	39,746,062	21,125,066	60,871,128	41,684,273
	1,143,688,452	154,629,672	1,298,318,124	1,152,946,624

CHASE					
PAYABLE			PAID		
2012-2013			2012-2013		
Contribution from	From Unclaimed	TOTAL	Contribution	From Unclaimed	TOTAL
Sales	Prizes		from Sales	Prizes	
828,480,640	33,493,718	861,974,358	823,093,140	33,009,078	856,102,218
22,370,378	3,613,028	25,983,406	22,413,440	3,903,353	26,316,793
14,536,684	9,164,842	23,701,526	14,862,700	9,107,442	23,970,142
75,887,503	12,955,850	88,843,353	95,259,053	12,849,650	108,108,703
88,972,220	27,418,576	116,390,796	76,300,431	27,211,801	103,512,232
3,289,425	-	3,289,425	3,273,513	-	3,273,513
42,513,227	88,243,679	130,756,906	42,120,864	81,689,958	123,810,822
13,911,827	3,572,690	17,484,517	13,818,518	3,539,363	17,357,881
83,151,199	10,069,900	93,221,099	83,602,948	9,913,352	93,516,300
<b>1,173,113,103</b>	<b>188,532,283</b>	<b>1,361,645,386</b>	<b>1,174,744,607</b>	<b>181,223,997</b>	<b>1,355,968,604</b>

### Lottery Game Fees Payable to BGLC

GAMES	BGLC FEES					
	2013-2014					2012-2013
	1.8% Fee Payable			PAID	1% Fee Payable	
	Contribution from Sales	From Unclaimed Prizes	TOTAL		Contribution from Sales	
Cashpot	449,160,504.68	38,953,200	488,113,704.68	449,160,505	187,857,338.00	
Lucky 5	6,228,262.80	3,647,809	9,876,071.80	6,228,263	2,982,717.00	
Pick 2	6,611,815.80	7,318,505	13,930,320.80	6,611,816	3,486,015.00	
Pick 3	35,369,252.90	11,014,627	46,383,879.40	35,369,253	18,198,442.00	
Pick 4	36,745,928.64	18,768,488	55,514,416.14	36,745,929	21,336,264.00	
Instant Games	1,192,437.00	-	1,192,437.00	1,192,437	438,590.00	
Super Lotto	11,668,243.08	49,293,327	60,961,570.08	11,668,243	5,668,430.00	
Dollaz	5,280,884.88	4,508,651	9,789,535.88	5,280,885	1,854,910.00	
Lotto	19,631,860.58	21,125,066	40,756,926.58	19,631,861	11,086,827.00	
<b>TOTAL</b>	<b>571,889,190</b>	<b>154,629,672</b>	<b>726,518,862</b>	<b>571,889,192</b>	<b>252,909,533</b>	
				<b>154,629,672</b>		
				Licence Fees	37,154,962	27,000,000
GRAND TOTAL				<b>763,673,826</b>	<b>279,909,533</b>	

## GAMING SECTOR

### Highlights on Licensing

Total Government revenue from licensing in the Gaming sector amounted to \$65 million. The number of slot machines licensed for gaming lounges remained consistent over the year, however slot machines in the Under 19 category fluctuated. Approximately 6,000 gaming machines were licensed during the year, a 15% decrease over the previous year. In December 2013, a major gaming lounge operator namely, Prime Sports (Jamaica) Limited closed its Acropolis Montego Bay location. Simultaneously, a new location, Acropolis Portmore – The Castle – was licensed.

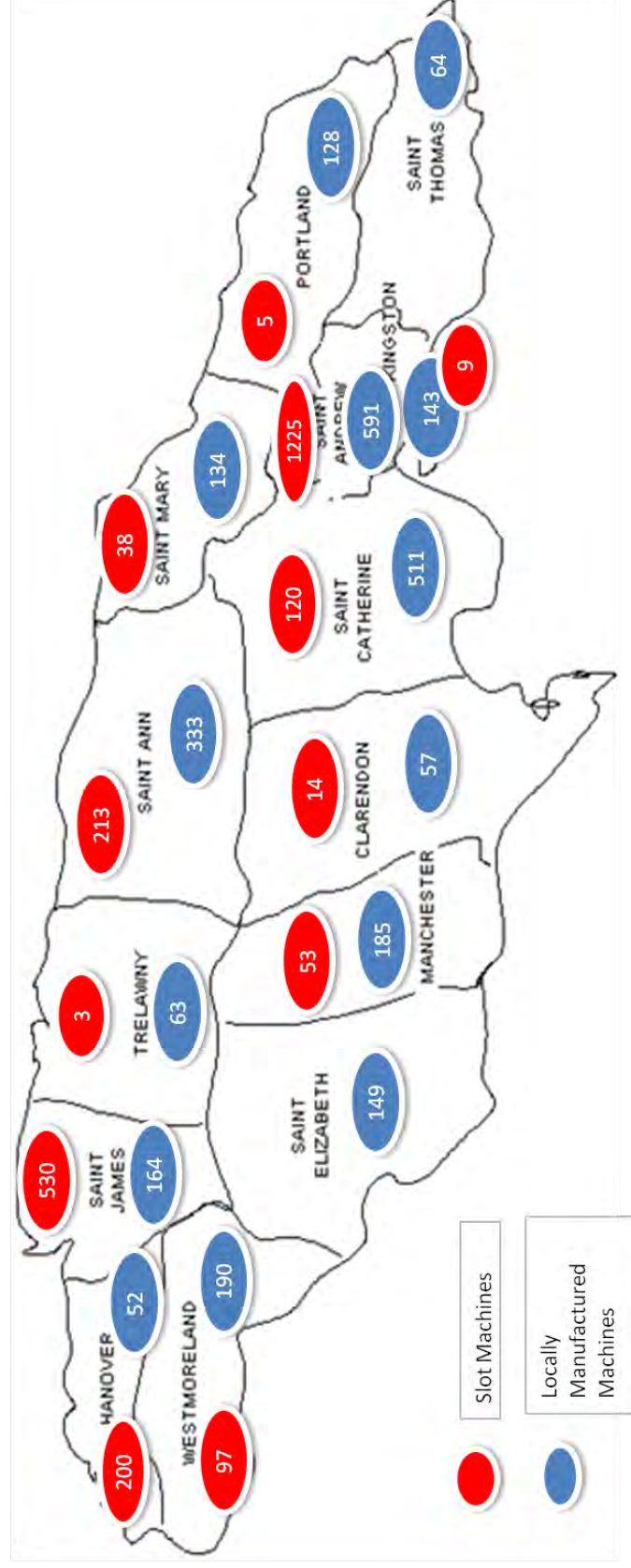
The Gaming sector saw continued interest from licences for locally manufactured gaming machines as well as expansion of Under 19 non-gaming lounge locations across the island.

The total number of gaming machines island-wide as at the end of the fiscal year is 5,274. See details below.

	2013-2014	2012-2013	Variance
<b>Gaming Machines</b>	6261	7,355	(1,094)
<b>Revenue:</b>	<b>\$M</b>	<b>\$M</b>	
<b>BGLC Fees</b>	35.480	27.051	8.429
<b>Consolidated Fund - Inland Revenue</b>	18.815	25.773	(6.958)
<b>Total</b>	<b>54.295</b>	<b>52.824</b>	<b>1.471</b>

PARISHES	LOUNGES - SLOTS	UNDER 19 - SLOTS	SLOTS SUB TOTAL	LOCAL	GRAND TOTAL	%
ST. ANDREW	1191	34	1225	591	1816	34.2%
ST. JAMES	443	90	533	164	697	13.5%
ST. CATHERINE	106	14	120	511	631	11.8%
ST. ANN	194	19	213	333	546	10.3%
WESTMORELAND	0	97	97	190	287	5.6%
HANOVER	110	90	200	52	252	4.8%
MANCHESTER	0	53	53	185	238	4.5%
ST. MARY	0	38	38	134	172	3.2%
KINGSTON	0	9	9	143	152	2.9%
ST. ELIZABETH	0	0	0	149	149	2.8%
PORTLAND	0	5	5	128	133	2.5%
CLARENDON	0	14	14	57	71	1.4%
TRELAWNY	0	3	3	63	66	1.2%
ST. THOMAS	0	0	0	64	64	1.2%
	<b>2044</b>	<b>466</b>	<b>2510</b>	<b>2764</b>	<b>5274</b>	<b>100.0%</b>
			<b>48%</b>	<b>52%</b>		

## Pictorial Representation of Gaming Machines Island-Wide (Slots & Locally Manufactured Machines)



## Gaming Sector Performance

### Gaming Lounges - 20 and Over Gaming Machines

Some \$57.217 billion in sales of was generated by twenty-six (26) gaming lounges, with a declared gross profit of \$3.423 billion.

### Under 19 Gaming Machines

Sales totalling \$744.96 million was generated by forty-seven (47) Under 19 gaming establishments, with a declared gross profit of \$66.6 million.

Beljam Technologies recorded the highest sales in the Gaming sector, however as a result of its higher payout of 96%, the company declared less gross profit than its competitors. The highest gross profit was declared by Everglades Farm Limited, followed by Beljam Technologies and Prime Sports (Jamaica) Limited.

GAMING SECTOR			
Summary of Revenue			
	Gaming Lounges	Under 19 Gaming Lounges	GRAND TOTAL
# of Machines	2044	466	2510
SALES	57,217,432,096	744,961,987	57,962,394,083
PAYOUTS	53,793,950,972	678,314,003	54,472,264,976
GROSS PROFIT	3,423,481,124	66,647,984	3,490,129,107

GAMING LOUNGES SALES, PAYOUTS AND DECLARED PROFIT							
2013 - 2014							
GAMING LOUNGES	# of Locations	# of Machines	SALES	% of Sales	PAYOUTS	Payout as a % of Sales	DECLARED GROSS PROFITS
Beljam Technology Limited - TREASURE HUNT	3	409	18,473,949,287	32%	17,672,956,425	96%	800,992,862
Everglades Farm	4	342	11,762,523,295	21%	10,790,983,887	92%	971,539,407
Macau Gaming	1	150	10,147,532,991	18%	9,701,028,171	96%	446,504,820
Prime Sports (Ja) Limited - ACROPOLIS & ODESSEY (4 locations at 31 March 2014)	5	444	7,978,428,942	14%	7,310,047,003	92%	668,381,939
Sizzling Slots Limited	2	201	4,275,828,551	7%	4,125,941,755	96%	149,886,797
SMWS Gaming Ltd. - MOSINO	1	205	3,329,086,234	6%	3,092,695,410	93%	236,390,824
Worldwide Concepts	5	151	1,032,755,339	2%	899,797,336	87%	132,958,003
Jay Vegas Limited - Sunset Jamaica Grande	1	22	142,853,950	0.25%	131,156,443	92%	11,697,507
Rajmaville	1	49	39,999,437	0.07%	37,760,142	94%	2,239,295
Couples Swept Away	1	26	21,012,864	0.04%	19,876,002	95%	1,136,862
Hedonism II	1	23	10,469,505	0.02%	9,355,637	89%	1,113,867
El Rancho	1	22	2,991,700	0.01%	2,352,760	79%	638,940
<b>GRAND TOTAL</b>	<b>26</b>	<b>2044</b>	<b>57,217,432,096</b>	<b>100%</b>	<b>53,793,950,972</b>	<b>94%</b>	<b>3,423,481,124</b>

## Summary of Under 19 Gaming Machines

UNDER 19 GAMING OPERATORS SALES, PAYOUTS AND DECLARED PROFIT - 2013-2014					
LOUNGES	# of Machines	SALES	PAYOUTS	Payout as a % of Sales	DECLARED GROSS PROFITS
<b>ST. ANN</b>					
Brown's Town OTB	10	1,288	838	65%	450
Rooms on the Beach	9	374,697	322,058	86%	52,640
<b>TOTAL</b>	<b>19</b>	<b>375,985</b>	<b>322,896</b>	<b>86%</b>	<b>53,090</b>
<b>MANCHESTER</b>					
Butterfly Lounge - Sinclair	4	2,752,880	2,352,100	85%	400,780
Butterfly Lounge - Green	3	3,458,910	3,065,470	89%	393,440
G- Jaggs Gaming	19	12,050	12,370	103%	-320
Wild Cherry	5	743,930	391,840	53%	352,090
T.J's Bar	3	489,640	458,945	94%	30,695
Simmo's Bar	5	3,310,770	2,819,210	85%	491,560
Street Image	14	11,838,267	10,594,526	89%	1,243,742
<b>TOTAL</b>	<b>53</b>	<b>22,606,447</b>	<b>19,694,461</b>	<b>87%</b>	<b>2,911,987</b>
<b>ST. ANDREW</b>					
Lotto Super Store	19	31,526,520	28,396,260	90%	3,130,260
Chaser's C afe	15	377	198	53%	179
<b>TOTAL</b>	<b>34</b>	<b>31,526,897</b>	<b>28,396,458</b>	<b>90%</b>	<b>3,130,439</b>
<b>HANOVER</b>					
Worldwide Concepts-Bahia Principe	19	36,262,547	32,862,474	91%	3,400,073
Devon's Place (Big Man Corner)	10	702,680	616,790	88%	85,890
K's Lavie Restaurant & Bar	5	327,530	282,160	86%	45,370
Khalies Restaurant	5	756,630	681,710	90%	74,920
Lava Gaming Lounge	14	17,548,330	16,062,920	92%	1,485,410
Lucky 8 Games Room	16	40,602,040	36,198,488	89%	4,403,552
Red Boar Gaming	3	1,097,620	966,830	88%	130,790
Shauna's Pub	13	27,212,624	21,087,304	77%	6,125,320
Tits Bar	5	506,040	439,980	87%	66,060
<b>TOTAL</b>	<b>90</b>	<b>125,016,041</b>	<b>109,198,656</b>	<b>87%</b>	<b>15,817,385</b>
<b>TRELAWNY</b>					
D-Nest	3	2,074	820	40%	1,254
<b>TOTAL</b>	<b>3</b>	<b>2,074</b>	<b>820</b>	<b>40%</b>	<b>1,254</b>
<b>WESTMORELAND</b>					
Worldwide Concepts-Riu Negril	18	25,802,713	23,503,613	91%	2,299,100
Couples Negril	8	8,966,915	8,056,828	90%	910,087
E.W. Fisheries	5	1,479,530	1,383,418	94%	96,112
Krazy 8	19	24,793,040	23,121,865	93%	1,671,175
London Sports Lounge & Ent.	7	962,835	883,055	92%	79,780
P & M Supreme	6	43,037,260	40,513,940	94%	2,523,320
Paradise Gaming	19	45,734,420	43,437,700	95%	2,296,720
Fire Ice Sports Bar	5	2,897,850	2,485,340	86%	412,510
Jackie's Bar	10	3,618	1,698	47%	1,920
<b>TOTAL</b>	<b>97</b>	<b>153,678,181</b>	<b>143,387,457</b>	<b>93%</b>	<b>10,290,725</b>
<b>ST. JAMES</b>					
B - Games Bar & Pool	10	25,667,180	23,289,430	91%	2,377,750
Game Time	16	29,828,460	27,707,570	93%	2,120,890
Holiday Inn	19	85,504,992	78,217,155	91%	7,287,837
Iberostar	19	80,203,921	73,410,036	92%	6,793,885
Ninfa's Chill Out	2	439,810	377,860	86%	61,950
Secrets	19	100,254,570	91,964,193	92%	8,290,377
T.B Games Room	5	5,479,386	4,654,995	85%	824,391
<b>TOTAL</b>	<b>90</b>	<b>327,378,319</b>	<b>299,621,239</b>	<b>92%</b>	<b>27,757,080</b>
<b>ST. MARY</b>					
Golden Nuggette Gaming Lounge	19	21,926,620	20,539,220	94%	1,387,400
Purple Rock Gaming	19	14,542,874	13,401,165	92%	1,141,709
<b>TOTAL</b>	<b>38</b>	<b>36,469,494</b>	<b>33,940,385</b>	<b>93%</b>	<b>2,529,109</b>
<b>PORTLAND</b>					
Irie Vibes	5	3,812,440	3,285,320	86%	527,120
<b>TOTAL</b>	<b>5</b>	<b>3,812,440</b>	<b>3,285,320</b>	<b>86%</b>	<b>527,120</b>
<b>KINGSTON</b>					
Turkey's Hang Out	9	2,473,615	2,247,005	91%	226,610
<b>TOTAL</b>	<b>9</b>	<b>2,473,615</b>	<b>2,247,005</b>	<b>91%</b>	<b>226,610</b>
<b>ST. CATHERINE</b>					
Courtney's Lounge & Grocery	3	9,640	7,640	79%	2,000
Super Gaming Store	11	3,350,970	2,918,080	87%	432,890
<b>TOTAL</b>	<b>14</b>	<b>3,360,610</b>	<b>2,925,720</b>	<b>87%</b>	<b>434,890</b>
<b>CLARENDON</b>					
Acropolis May Pen	14	38,261,883	35,293,587	92%	2,968,296
<b>TOTAL</b>	<b>14</b>	<b>38,261,883</b>	<b>35,293,587</b>	<b>92%</b>	<b>2,968,296</b>
<b>GRAND TOTAL</b>	<b>466</b>	<b>744,961,987</b>	<b>678,314,003</b>	<b>91%</b>	<b>66,647,984</b>

## Summary of Revenue from Gaming Lounges and Under 19 Gaming Establishments

Summary of Revenue from Gaming and Non-Gaming Lounges				
SUMMARY OF REVENUE FROM GAMING MACHINES UNDER THE GROSS PROFIT TAX REGIME				
	CONSOL FUND	BGLC	CHASE	TOTAL
Gaming Lounges	207,423,660	82,734,655	31,912,231	322,070,545
Under 19 Machine Operators	3,361,460	1,289,687	671,874	5,323,021
<b>TOTAL</b>	<b>210,785,120</b>	<b>84,024,342</b>	<b>32,584,105</b>	<b>327,393,567</b>
Gaming Machine Levies & Fees	30,000,000	35,480,000	-	65,480,000
<b>GRAND TOTAL</b>	<b>240,785,120</b>	<b>119,504,342</b>	<b>32,584,105</b>	<b>392,873,567</b>

## Composition of Government Revenue from Gaming Lounges

REVENUE FROM GAMING LOUNGES	2013 - 2014		
	CONSOL 6.50%	BGLC 2.50%	CHASE 1%
<b>GAMING LOUNGES</b>			
Beljam Technology Limited - TREASURE HUNT	46,165,224	17,818,984	7,102,542
Everglades Farm	61,955,361	26,726,514	9,531,903
Macau Gaming	26,109,029	10,041,934	4,016,773
Prime Sports (Ja) Limited - ACROPOLIS & ODESSEY (4 locations at 31 March 2014)	45,274,257	17,413,176	6,965,270
Sizzling Slots Limited	7,997,536	3,075,975	1,230,391
SMWS Gaming Ltd. - MOSINO	11,754,060	4,520,792	1,808,317
Worldwide Concepts	7,114,518	2,732,019	1,094,893
Jay Vegas Limited - Sunset Jamaica Grande	1,037,674	399,105	159,642
Rajmaville	-	-	-
Couples Swept Away	-	-	-
Hedonism II	-	-	-
El Rancho	16,000	6,154	2,500
<b>GRAND TOTAL</b>	<b>207,423,660</b>	<b>82,734,655</b>	<b>31,912,231</b>

## Composition of Government Revenue from Gaming Lounges

REVENUE FROM UNDER 19 GAMING LOUNGES	2013 - 2014		
	CONSOL 7%	BGLC 3%	CHASE 1%
<b>ST. ANN</b>			
Brown's Town OTB	-	-	-
Rooms on the Beach	-	-	-
<b>TOTAL</b>	-	-	-
<b>MANCHESTER</b>			
Butterfly Lounge - Sinclair	-	-	-
Butterfly Lounge - Green	25,258	0	21,638
G- Jaggs Gaming	-	-	-
Wild Cherry	8,689	3,342	1,337
T.J's Bar	-	-	-
Simmo's Bar	-	-	-
Street Image	-	6,012	-
<b>TOTAL</b>	<b>33,946</b>	<b>9,354</b>	<b>22,974</b>
<b>ST. ANDREW</b>			
Lotto Super Store	-	-	-
Chaser's Cafe	-	-	39,634
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>39,634</b>
<b>HANOVER</b>			
Worldwide Concepts-Gran Bahia Principe	-	-	-
Devon's Place (Big Man Corner)	-	-	-
K's Lavie Restaurant & Bar	-	-	-
Khalies Restaurant	-	-	-
Lava Gaming Lounge	-	-	-
Lucky 8 Games Room	-	-	-
Red Boar Gaming	17,381	7,204	3,081
Shauna's Pub	-	-	-
Tits Bar	8,501	3,270	1,308
<b>TOTAL</b>	<b>25,882</b>	<b>10,475</b>	<b>4,389</b>
<b>TRELAWNY</b>			
D-Nest	-	-	-
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>WESTMORELAND</b>			
Worldwide Concepts-Riu Negril	-	-	-
Couples Negril	220,363	84,755	33,902
E.W. Fisheries	25,559	9,831	3,932
Krazy 8	22,358	8,599	3,440
London Sports Lounge & Ent.	-	-	-
P & M Supreme	338,351	130,135	52,055
Paradise Gaming	275,745	106,056	42,432
Fire I Sports Bar	6,644	2,555	1,022
Jackie's Bar	-	-	-
<b>TOTAL</b>	<b>889,021</b>	<b>341,932</b>	<b>136,784</b>
<b>ST. JAMES</b>			
B - Games Bar & Pool	108,609	41,773	16,709
Game Time	89,357	34,368	13,751
Holiday Inn	641,392	246,689	188,676
Iberostar	546,134	210,052	84,021
Ninfa's Chill Out	-	-	1,241
Secrets	984,306	378,579	151,432
T.B Games Room	-	-	-
<b>TOTAL</b>	<b>2,369,798</b>	<b>911,461</b>	<b>455,828</b>
<b>ST. MARY</b>			
Golden Nuggette Gaming Lounge	42,813	16,466	6,587
Purple Rock Gaming	-	-	-
<b>TOTAL</b>	<b>42,813</b>	<b>16,466</b>	<b>6,587</b>
<b>PORTLAND</b>			
Irie Vibes	-	-	5,679
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>5,679</b>
<b>KINGSTON</b>			
Turkey's Hang Out	-	-	-
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>ST. CATHERINE</b>			
Courtney's Lounge & Grocery	-	-	-
Super Gaming Store	-	-	-
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CLARENDON</b>			
Acropolis May Pen	-	-	-
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>GRAND TOTAL</b>	<b>3,361,460</b>	<b>1,289,687</b>	<b>671,874</b>

## PRIZE PROMOTIONS

The total earned from this revenue stream for 2013-2014 amounted to \$13,986,615, arising from two hundred and forty-five (245) applications (2012-2013: 305 applications). During the year, Express Fees were introduced to facilitate the increased demand within the sector.

MONTHLY	Applications received	Application fees	Incomplete fees	Late fees	Express Fees	Extension fees	Refunds	Over-payment s	Total Revenue
April	18	770,000	150,000	120,000	0	0	0	80,000	1,120,000
May	20	930,000	120,000	105,000	0	15,000	0	0	1,170,000
June	25	910,000	105,000	135,000	0	0	20,000	45,000	1,175,000
<b>Q1</b>	<b>66</b>	<b>2,610,000</b>	<b>375,000</b>	<b>360,000</b>		<b>15,000</b>		<b>125,000</b>	<b>3,465,000</b>
July	23	1,160,000	150,000	180,000	0	60,000	75,000	15,000	1,490,000
August	18	670,000	60,000	120,000	0	15,000	0	5,000	870,000
September	18	645,000	150,000	75,000	0	15,000	0	0	885,000
<b>Q2</b>	<b>63</b>	<b>2,475,000</b>	<b>360,000</b>	<b>375,000</b>		<b>90,000</b>	<b>75,000</b>	<b>20,000</b>	<b>3,245,000</b>
October	36	2,150,000	180,000	240,000	0	0	0	20,000	2,590,000
November	25	1,000,000	255,000	270,000	0	0	0	16,615	1,541,615
December	12	750,000	60,000	45,000	0	45,000	0	0	900,000
<b>Q3</b>	<b>73</b>	<b>3,900,000</b>	<b>495,000</b>	<b>555,000</b>	<b>0</b>	<b>45,000</b>	<b>0</b>	<b>36,615</b>	<b>5,031,615</b>
January	11	470,000	60,000	45,000	50,000	0	0	0	625,000
February	17	640,000	120,000	15,000	150,000	0	0	20,000	945,000
March	15	490,000	120,000	0	50,000	0	0	15,000	675,000
<b>Q4</b>	<b>43</b>	<b>1,600,000</b>	<b>300,000</b>	<b>60,000</b>	<b>250,000</b>	<b>0</b>	<b>0</b>	<b>35,000</b>	<b>2,245,000</b>
<b>Total</b>	<b>245</b>	<b>10,585,000</b>	<b>1,530,000</b>	<b>1,350,000</b>	<b>250,000</b>	<b>150,000</b>	<b>75,000</b>	<b>196,615</b>	<b>13,986,615</b>

# ENFORCEMENT

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## Functions & Objectives

The primary functions of the law enforcement arm of the Betting, Gaming and Lotteries Commission include:

- conducting criminal and regulatory investigations on individuals and groups involved in illegal betting and gaming activities;
- gathering intelligence on organised criminal groups involved in illegal betting and gaming activities;
- conducting background investigations on applicants for licences and employees in the industry;
- making recommendations on applicants.

## Operations Carried Out

During the 2013-14 fiscal year, the Enforcement Division carried out forty-nine (49) operations which yielded twenty-five (25) arrests; twenty (20) convictions; \$240,864 in court fines; and seizure of one hundred and sixty-nine (169) unlicensed gaming machines. The Department also received ninety-one (91) reports of illegal gaming-related activities during the year.

While the overall number of operations carried out this year was 32% lower than last year, this was primarily due to a reduction in the number of operations specifically targeting gaming machine seizures, which typically represented the bulk of our operations in the past. Machine seizures have proven to be costly—both to transport and to store—and, as such, an alternative approach was taken during the year to help reduce the number and frequency of seizures in an effort to minimize cost, without compromising the enforcement rigours.

## Arrests & Convictions

The number of arrests rose marginally during the year: up from twenty-two (22) in the 2012-13 fiscal year, to twenty-five (25) this year. Among those arrested were two (2) key players in the illegal Cash Pot trade.

On the other hand, there was a 67% jump in the number of convictions over last year, up from twelve (12) to twenty (20). This is a reflection of the Division's collective efforts in not only pursuing and arresting persons suspected of illegal betting and gaming activities, but also our commitment to ensuring that investigations are carried out

thoroughly and in a manner that increases the likelihood of conviction. We are also convinced that the Commission's efforts to increase its enforcement capacity are paying off, and that the appointment of a Director of Enforcement, the recruitment of an additional Arresting Officer and the increased complement of Investigators, will continue to yield positive results in this area.

### **Machine Seizures**

The prevailing issue of cost and storage for seized gaming machines was somewhat lessened this year as the Division took steps to address this chronic problem. A new initiative was introduced during the year, whereby prior to initiating seizure, delinquency letters were issued to persons who were found to be in breach of the law. Offenders were then given an opportunity to apply for the appropriate licence and regularise their operations in order to avoid confiscation of their machines.

This resulted in a 41% reduction in the number of machines seized, as compared with the two hundred eighty-eight (288) confiscated last year. Of the one hundred and sixty-nine (169) machines seized during this year, one hundred twenty-two (122) were subsequently licensed and returned to their owners.

The Division also took steps to reduce the number of machines already in storage (i.e. machines confiscated over several years) by offering waivers on penalties and fees, in a bid to encourage owners and operators to reclaim their machines. Unfortunately, this campaign bore little fruit as over six hundred (600) unlicensed gaming machines remain in our custody. The Legal Division has subsequently taken steps to obtain the necessary clearance to dispose of these unclaimed machines, however very little progress has been made in that regard as the process is protracted by the inadequacies of the court system.

### **Court Fines**

There was a significant reduction in court fines this year, from \$497,000 collected during 2012-13, to just over half of that amount (\$240,864) this year. The average court fine for offences was \$12,043, despite Amendments to the BGLA with respect to the prescribed penalties for breaches of the law. The levels of court fines were also disproportionately low when compared to the high profits being made from illegal gaming in Jamaica.

Consequently, the Commission, through the Communications and Legal Departments, intends to embark on a campaign in the ensuing year to sensitise Magistrates in regard to the Amendments to the BGLA and the Fixed Penalties for offences under the Act.

## Investigations

The Division completed forty-nine (49) Due Diligence investigations during the period, which represents a 58% decline over the one hundred and eighteen (118) investigations completed during the corresponding period last year. It should be noted that owing to incomplete information submitted by applicants, a backlog of Due Diligence investigations existed, dating as far back as two (2) years, and steps were taken to clear the backlog as a matter of urgency, so as to enable new business interests to enter the industry.

Notably, the Division's Operational Policy was completed during the review period, and an Intelligence Database is currently being developed, which is expected to be implemented during the first quarter of the 2015 fiscal year. Both the Operational Policy and the Intelligence Database were among the Division's most critical objectives at the start of this fiscal year.

## Major Goals for the 2015 Fiscal Year

- Implementation of the Division's Intelligence Database.
- Continue to improve compliance with the BGLA among licensees and consumers.
- Arrest and prosecute major illegal operators.

## Enforcement Division Major Activities

Major Activities	2012/13 Fiscal Year	2013/14 Fiscal Year	% Change
<b>Operations</b>	72	49	-32%
<b>Arrests</b>	22	25	14%
<b>Convictions</b>	12	20	67%
<b>Court Fines</b>	\$497,000	\$240,864	-52%
<b>Reports</b>	85	91	7%
<b>Gaming Machines Seized</b>	288	169	-41%
<b>Gaming Machines Released</b>	178	122	-31%
<b>Due Diligence</b>	118	49	-58%
<b>Dual Custody</b>	96	47	-51%

## LEGAL

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During the period under review, the Legal Department was staffed by a Director of Legal Services and Company Secretary, a Legal Officer and a Paralegal Secretary.

The main focus of the Department was the finalisation of the Betting Gaming and Lotteries (Amendment) Bill, which speaks to, amongst other things, the expansion of the sports betting and lottery industries through the licensing of a variety of new outlets, including mobile outlets; introduction of user fees for key activities undertaken by the Commission; and growth in the gaming machine industry. Taken together, these measures facilitate new business models, improve the regulatory and enforcement arm of the Commission and improve revenue collection, thereby increasing and diversifying the revenue stream of the Commission.

The other related area of focus was the passage of subsidiary legislation to give full effect to the Betting Gaming and Lotteries (Amendment) Act 2010, namely the Sports Betting Tax Regulations, Telephone Betting Regulations and the Fixed Penalty Order and Amendment to the Seventh Schedule and the Bookmakers Levy Scheme Orders (local and overseas).

Significant progress was made in this regard, having received the necessary support and cooperation of the Ministry of Finance and Planning, and the Chief Parliamentary Counsel. The final drafts of the above mentioned pieces of legislation have now been finalised. The Betting Gaming and Lotteries (Amendment) Bill 2014 (which incorporates the Telephone Betting Regulations, Sports Betting Tax Regulations, Fixed Penalty Order and Amendment to the Seventh Schedule) has been approved by Cabinet and has been tabled in Parliament, passed its First Reading and is awaiting its Second Reading. The Bookmakers Levy Scheme Orders (local and overseas) have been gazetted and are now in force.

Effective April 1 2014, the Minister of National Security designated persons who operate twenty (20) or more gaming machines pursuant to a licence under the Betting, Gaming and Lotteries Act (BGLA) as a Designated Non Financial Institution under the Proceeds of Crime Act (POCA), and the BGLC as the Competent Authority empowered to monitor the compliance of its designated licensees with POCA and its Regulations. In anticipation of these designations, the Legal Department was involved in general sensitisation training for industry stakeholders and will be preparing a draft Guidance Notes for licensees for the purpose of securing compliance with the provisions of POCA and its regulations.

With the development of new information and communication technologies (ICT), new forms of commerce have emerged. The Legal Department is conscious of the global changes within the industry and the implications this has for regulation. Several initiatives have been taken, including the convening of regular meetings with the Licensing & Registration Department to review and update the application forms and licensing processes. Meetings have also been convened with the Enforcement Department to review the Due Diligence forms with a view to increase collaboration between the two departments in prosecutions under the BGLA.

Since the Commission has begun to investigate the possibility of legalising Internet Gaming in Jamaica, several initiatives have been taken in this regard. A research paper entitled 'Establishing an Effective Regulatory Framework for Internet Gambling – The Case for Jamaica' was produced by the Director of Legal Services and has been circulated to the Board for review. It is expected to inform the preparation of a policy paper to the Minister of Finance. The subject of Internet Gaming was a current topic on the agenda of the International Association of Gaming Regulators (IAGR) Conference in Oslo, Norway in October 2013, at which the Legal Department was represented, and there was a sharing of information amongst the international bodies on this and other topical issues.

Innovation in business has also reflected itself in the area of Prize Promotions, and a considerable amount of work was done in developing Guidance Notes for this sector, which were approved by the Board and implemented.

Internal training initiatives for the Commission's staff continued with a presentation made at the Licensing & Registration Departmental meeting and the preparation of a training presentation on Prize Promotions, which is to be presented at the first available opportunity. External public awareness initiatives included collaboration with the Communications & Research Department to finalise the Handbook on the 2010 Amendments to the Betting Gaming and Lotteries (Amendment) Act 2010 and the posting of legal updates on the intranet and website.

Training of the department's staff continued with the Attorneys attending the requisite Continuing Legal Professional Development Courses and the department's staff receiving training in Westlaw, website development, customer service, and attending etiquette and grooming workshops.

The Legal Department made the first applications of their type for forfeiture of seized gaming machines under the BGLA and successfully obtained forfeiture orders for eleven (11) gaming machines currently held in storage. Those applications will now form the template for future applications of this type to relieve the Commission of the

financial burden of storing seized gaming machines which have been abandoned by their owners.

Overall, the year was a productive one and laid a good foundation for the department's objectives for 2014-15.

# INFORMATION & COMMUNICATION TECHNOLOGY

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## **Background**

Information & Communication Technology (ICT) has become mission critical to the achievement of a significant number of the Commission's targets in this fiscal year. The ICT Department embarked on and achieved several of its targets under the following BGLC objectives:

## **High Performing People**

ICT training remains a top priority for the Department as the successful implementation of the ICT projects is dependent on the competence of the ICT staff. Technology in the Gaming Industry is constantly evolving, and the Commission has become reliant on the ICT Department for guidance in the emerging technologies such as Internet Gaming; increased use of mobile devices in the deployment of gaming; and the standards which will need to be set for technology providers.

## **Stakeholder Engagement**

The Department developed and successfully deployed the BGLC Intranet. This tool is used to effectively communicate internally with all staff members.

The BGLC Website is now being upgraded to better serve our stakeholders as an avenue for information. The Commission has also embarked on a project which will allow for online registration of the sectors and the convenience of online payment.

## **Technology**

Achieving operational efficiency was the primary goal of the Division during the review period, and this resulted in the development of several projects, some of which have already been completed and deployed. Among the major ICT initiatives was: Data Hosting; Business Continuity Project; Gaming Management Information System(GMIS) to facilitate online connectivity with licensees; Financial Software; and HRM Software upgrade.

### Data Hosting Project

The ICT infrastructure was greatly updated with the procurement and implementation of a Data Hosting Solution. The Commission entered into a partnership with Digicel to host the information technology platform through the Digicel Cloud.

### Business Continuity Project

The ICT Division is currently implementing business continuity services via Digicel Cloud Services. The Department successfully developed and implemented an ICT Disaster Strategy, Plan and Procedures which will be subsumed under the Commission's overall Business Recovery Strategy. The Implementation should be completed and tested within the first quarter of the 2014-2015 fiscal year.

### Connectivity to Licensees

The monitoring and auditing of lounges and gaming establishments is currently a manual, labour-intensive process. Therefore, the Commission embarked on a project to effect electronic connectivity to larger licensee establishments in order to streamline our processes. A pilot project was started with four (4) of our larger clients which involved reviewing their IT systems, and the establishment of a file transfer protocol site for the secure upload and electronic retrieval of data. The data formats were standardised for upload to our current Gaming Management application. Testing is still in progress and when completed, this project should realise a 60% reduction in the manual data entry and monitoring processes.

### Gaming Management Information System (GMIS)

The current GMIS used by the Commission is manual intensive and allows for very little electronic reporting and data analysis. During this fiscal year, a project was commenced to seek a new GMIS. The requirements gathering phase was completed. Extensive collaboration was also carried out with other international regulatory agencies and service providers to complete the specifications for the new system. The procurement and implementation of the GMIS is scheduled for the 2014-15 fiscal year.

### Financial Software

The Commission tendered for new financial software and one provider was selected. With the impending merger with the JRC, all tenders were evaluated against the background of ease of integration with the software currently being used by the JRC. It was subsequently decided that a more cost effective approach would be to upgrade the JRC's software and to purchase additional licenses for a single piece of software to be used by both entities. This would also provide greater synergies across both

Commissions for the merger. Implementation is expected to be completed in the first quarter of the 2014-15 fiscal year.

#### Upgrade of the HRM System

The current Human Resources Application used by the Commission was successfully upgraded to include the following modules:

- time and attendance
- leave
- training
- performance appraisal

#### **Efficient & Effective Service Delivery**

As part of the thrust to leverage ICT to improve efficiency, the Department successfully developed and implemented an ICT Security Manual for all users of the BGLC's ICT infrastructure and systems. This manual defines the policies and procedures to be employed in using the BGLC infrastructure, and is comprised of other individual subject-specific policies such as:

- The *Information Security Policy* - the overarching policy which defines the Commission's enterprise security policy and intent, and the methods used to achieve that intent. This policy forms the framework and establishes a baseline for the understanding of security guidelines implemented to establish security.
- The *System and Network Security Policy* - focuses on the security configuration requirements on the BGLC information systems and networks.
- The *Change Control Policy* - outlines the requirements for modifying software and other system changes.
- The *Personal Computer Security Policy* - outlines the standard of use and care of personal computers.
- The *Electronic Mail Security Policy* - describes the proper use of the email services.
- The *Intranet and Internet Policy* - describes what a user should do when accessing those services.
- The *Firewall Policy* - outlines the security requirements for a firewall and the security effected for intrusion detection and protection.
- The *Remote Access Security Policy* - states the requirements and security for remote access to the BGLC computer networks.

- The *Reporting Security Problems Policy* - tells staff what they should do when a security problem is detected.
- The *Information Ownership Policy* - declares the roles and responsibilities of different stakeholders and offers guidance on how to designate them.
- The *Privacy and Web Privacy Policy* - addresses the increasing need for customer privacy.
- The *Business Continuity Policy* - outlines the requirements on how to maintain business operations in the event that an information system is unavailable.

# HUMAN RESOURCES & ADMINISTRATION

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## **Staffing**

During the year, the Commission completed an internal restructuring exercise in order to transition from a sector-oriented organisational structure to one that is arranged around functions. Senior positions filled during the year include: Director, Licensing and Registration; Director, Compliance and Regulatory; Director, Information and Communication Technology; and Manager, Communications and Research.

The newly formed Licensing & Registration and Compliance & Regulatory Divisions were staffed and are now fully functional. Approximately twenty one (21) employees were promoted to fill vacant posts within the new structure. The staff complement is currently seventy-three (73); however following the merger with the JRC, the staff complement is expected to increase to approximately one hundred and nine (109).

## **Training and Development**

In order to bring the Commission in step with the advances in the Gaming Industry and developments within the legal framework, the Commission embarked on an intensive programme of training and development for staff, engaging both local and overseas trainers. Some areas of training for staff were: gaming machine technology, the Proceeds of Crime Act (POCA), customer service, grooming and etiquette. Some senior staff members also attended overseas conferences and participated in training sessions held locally by international facilitators in order to assist the BGLC in bridging the technology gap and improving our monitoring capabilities.

A comprehensive training programme was also developed, which outlines the basic training and developmental activities each employee of the Commission should undergo, in order to be fully equipped to perform their role effectively.

## **Systems and Procedures**

A comprehensive HR Policy and Procedural Manual and a detailed Operational Manual have been developed for use as a guide and to provide a framework within which management and staff at the Commission can operate confidently and effectively.

## **Performance and Transformation**

The operational and cultural transformation of the Commission, which has eluded us for some time, was given greater focus this year and we are currently in the process of engaging an expert consultant to lead the efforts toward "Facilitating Values Alignment

& Cultural Transformation for Greater Efficiency and Productivity". Steps are also being taken to improve the Performance Management process to be more objective, and to be used as a strategy to drive higher levels of performance. As such, a new performance appraisal tool was developed and will be implemented in the upcoming year. Hand in hand with this initiative will be the development of the Management and Supervisory staff in the areas of leadership, coaching and mentoring. In addition, the Commission will be embarking on an organisation-wide programme aimed at developing an organisational culture that elevates service standards and which will foster the overall transformational process.

### Compensation for Senior Executives (2013 – 2014)

	Salary	Gratuity and/or Performance Incentive	Travelling Allowance or value of Assignment of motor vehicle	Other Allowances	Total
Executive Director	7,143,290.08	2,052,011.12	771,746.00	319,577.00	10,286,624.20
Director of Compliance & Regulatory Division <sup>(1 &amp; 2)</sup>	6,989,211.74	550,666.46	2,137,587.82	436,776.85	10,114,242.87
Director of Enforcement	4,122,938.64	1,285,566.15	1,259,244.00	358,984.13	7,026,732.92
Director of Licensing & Registration <sup>(3)</sup>	8,097,767.28	229,509.61	1,177,422.15	287,407.30	9,792,106.34
Director of Finance <sup>(4)</sup>	6,156,669.94	1,691,724.95	1,547,988.72	386,731.23	9,783,114.84
Director of Human Resource & Administration <sup>(4)</sup>	5,303,834.56	1,477,332.77	1,259,304.00	343,125.80	8,383,597.13
Director of Information and Communication Technology <sup>(5)</sup>	4,018,670.43	1,208,510.17	1,227,014.15	331,663.04	6,785,857.79
Director of Legal, Corporate & Company Secretary	<u>4,580,041.19</u>	<u>1,623,169.28</u>	<u>1,259,304.00</u>	<u>587,693.62</u>	<u>8,050,208.09</u>
<b>Grand Total</b>	<b>46,412,423.86</b>	<b>10,118,490.51</b>	<b>10,639,610.84</b>	<b>3,051,958.97</b>	<b>70,222,484.18</b>

Notes:

1. Director of Compliance & Regulatory Division compensation included salaries to retired Director of Betting Division (April 2013 – October 2013 - \$4,786,545.89.)
2. New Director of Compliance & Regulatory Division recruited October 2013.
3. Compensation for Licensing & Registration also included salaries and redundancy payments to Director of Gaming and Lotteries April 2013-June 2013 - \$5,663,172.67.
4. Gratuity payment of \$1,377,686.73 made to Director of Finance on ending of contract and separation in July 2013. Acting Director of Finance Appointed July 2013.
5. New Director of Information and Communication Technology recruited May 2013.
6. Salary for Director of Human Resource & Administration (Director of HR&A) included retro payment as a result of change of status from Human Resource Manager to Director of HR&A.
7. Gratuity includes amount accrued for the period.
8. Figures excluded employer's statutory obligations and employee pension contribution.

## INTERNAL AUDIT

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The office of the Internal Auditor performs routine audits and reviews to determine whether controls over critical business processes are in place. This includes an evaluation of the adequacy and integrity of internal controls, compliance with the Commission's policies, laws and regulations, and evidence of process efficiencies and effectiveness.

During 2013-14 fiscal year, most of the core financial and administrative systems were reviewed by the Department. The Commission's overall internal control framework operated satisfactorily during period, and where internal audit work had highlighted instances of either partial or non-compliance, corrective steps have been taken to rectify these and none have had a material impact on the BGLC.

However, investigations relating to the completeness and accuracy of Gross Profit Tax (GPT) submissions made by gaming enterprises highlighted deficiencies in the Commission's ability to validate such submissions. The lack of a Gaming Management Information System (GMIS) to interface with the gaming systems within the gaming and betting lounges has hampered our ability to fully ascertain the accuracy of GPT submissions made. To that end, the Commission is currently in the process of procuring a GMIS as a means of establishing full-scale and real time connectivity with gaming systems, and this is expected to be implemented during the 2014-15 financial year.

On the issue of travel management, several recommendations from previous audit reports were implemented. The new mileage ceiling, which restricts individual travelling beyond two thousand (2,000) kilometres per month, was implemented. This has resulted in significant cost savings for the Commission. Further cost savings can be achieved with improvements in the itinerary management of travelling officers, and this will be explored further in the ensuing period.

In conjunction with the Risk Management Framework which was developed this year, the Department developed a risk assessment methodology in order to determine the level of audit coverage necessary for the 2013-14 financial year.

Following the annual review of the Commission's corporate governance arrangements, audit in this area provided assurance that suitable governance processes are in place to ensure effective management, that the Commission is being directed in line with appropriate strategic objectives, and that its business is being conducted in full compliance with relevant statutes and regulations.

## COMMUNICATIONS & RESEARCH

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The Communications and Research Department was reactivated in May 2013 after two years of dormancy. The department has also assumed additional responsibilities for Corporate Planning in the absence of a designated Corporate Planner.

During the year, several initiatives were undertaken to establish policies and standards for improved internal and external communication as well as to give clarity with respect to expectations of the staff, management and Board. In that regard, a Communication Policy, Customer Charter, Corporate Plan, Corporate Governance Manual, inclusive of Codes of Ethics, Conduct and Value Statement, were all documented and ratified by the Board. The Department also successfully organised and executed the Corporate Retreat.

The marketing focus of the Commission was realised with the creation and scheduling of a Marketing Plan, which was kicked off with an internal focus group to design a corporate logo and create a host of branded materials to strengthen the corporate identity of the BGLC. The Department also led the internal focus group to review our Vision and Mission Statements, which will be finalised on completion of the merger with the JRC. In preparation for the merger, a Merger Communication Plan was prepared to help ease the transition for all stakeholders and the public. Website content was also overhauled to make it more robust with new and pertinent information, with the objective of being more customer-friendly and interactive. We also worked closely with the ICT Division on the creation of an intranet site as an internal communication medium for our growing staff complement. Several marketing tools and materials were also created to effectively communicate with all stakeholders. The Department collaborated with the Legal Department to produce a Handbook of the 2010 Amendments to the Act, in layman's terms, to serve all licensees, staff and practitioners within the local Gaming Industry. A pocket-sized Quick Guide to all taxes, fees and contributions is also being prepared for distribution to licensees and interested members of the public in the upcoming financial year.

The Commission hosted several successful events in our executions this year. The Annual BGLC Race Day at Caymanas Track, held on Emancipation Day, saw our biggest turnout in seven years. Training for external publics was also undertaken in the initiation of POCA Sensitisation for licensees across the island. Licensee training in POCA compliance awaits finalisation of Guidance Notes and is expected to begin in earnest in the next fiscal year. A Gross Profit Tax (GPT) Public Education Seminar for Under 19 Gaming establishments was also conducted. Further sensitisation sessions are being planned for the Judiciary in the 2014-15 period, and these are slated to cover

Amendments to the Betting, Gaming and Lotteries Act (BGLA), POCA compliance and the Fixed Penalty Schedule.

Public relations activities remained consistent during the course of the year through the preparation of press releases, speeches, presentations for the Chairman, Executive Director and Ministry officials, arranging radio and television interviews, media advertisements, tributes and public service announcements to support divisional activities. As part of our thrust to strengthen stakeholder engagement, visits and tours of gaming and betting facilities were also conducted in an effort to better understand the operations, and to engage with licensees and staff. Scheduled visits will be conducted on a quarterly basis.

Charity disbursements totalling \$500,000 were made to a variety of organisations and charities through the course of the year to assist with social development initiatives for the elderly, schools and children's homes. This includes a \$100,000 donation to the Waterford Infant School towards the development of the school's library and learning facilities. The Commission also conducted an internal fundraising initiative to assist a needy tertiary student which generated over \$20,000.

The Commission also worked very closely with RISE Life Management Services which offers the Caribbean's only gambling prevention, treatment and research programme, to herald in a new era of more responsible gaming by all our licensees and the general public. We are proud to complete our 9<sup>th</sup> year of significant support for the work of RISE, averaging donations of between \$6 million and \$8 million per annum. The role RISE plays is becoming increasingly important, and the BGLC will be increasing its support to RISE in other meaningful ways going forward. We are currently collaborating to prepare and institute a Responsible Gaming Policy for all licensees as well as a Responsible Gaming Code of Conduct for Gaming Lounges to ensure the protection of all vulnerable groups, and particularly minors. Training and compliance with these standards and policies will be enforced as an additional condition for licensing, to take effect for the April 2015 licensing period. Sensitisation for gaming lounge owners has already begun. The Voluntary Self Exclusion Programme offered by RISE through conscientious gaming lounges, will be expanded into all other gaming lounges, for the care of persons with gambling addictions who may need to exclude themselves from the practice in order to seek treatment.

It is therefore with great enthusiasm that we look ahead to the upcoming year of planned stakeholder training and consultation activities to be spearheaded during the Inaugural Gaming Industry Summit, a pioneering event for the Caribbean, which we expect will serve to facilitate greater communication between the Commission and its publics.

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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YEAR ENDED MARCH 31, 2014



## **Betting, Gaming and Lotteries Commission**

**Financial Statements  
31 March 2014**

# Betting, Gaming and Lotteries Commission

Index

31 March 2014

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## Page

### Auditors' Report to the Members

### Financial Statements

Statement of comprehensive income	1
Statement of financial position	2
Statement of changes in equity	3
Statement of cash flows	4
Notes to the financial statements	5 – 33



## ***Independent Auditors' Report***

To the Members of  
Betting, Gaming and Lotteries Commission

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Betting, Gaming and Lotteries Commission set out on pages 1 to 33, which comprise the statement of financial position as at 31 March 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, 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 these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditor's 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 auditor considers internal control relevant to the entity's preparation of 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.

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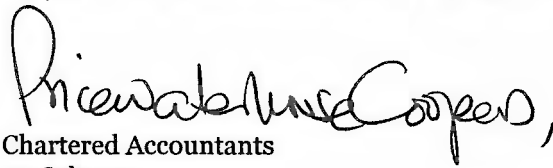
*PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica*  
*T: (876) 922 6230, F: (876) 922 7581, [www.pwc.com/jm](http://www.pwc.com/jm)*



**Members of Betting, Gaming and Lotteries Commission  
Independent Auditors' Report  
Page 2**

***Opinion***

In our opinion, the financial statements give a true and fair view of the financial position of Betting, Gaming and Lotteries Commission as at 31 March 2014 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink, reading "PricewaterhouseCoopers," written in a cursive, flowing style.

Chartered Accountants  
30 July 2014  
Kingston, Jamaica

# Betting, Gaming and Lotteries Commission

## Statement of Comprehensive Income

Year ended 31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 \$'000	Restated 2013 \$'000
<b>Income</b>	5	800,876	449,723
Other operating income	6	183,904	130,163
Administration expenses		(396,943)	(301,794)
Grants	7	<u>(7,119)</u>	<u>(8,607)</u>
<b>Operating Surplus</b>		580,718	269,485
Finance costs		<u>(477)</u>	<u>(10,515)</u>
<b>Surplus before Taxation</b>		580,241	258,970
Taxation	10	<u>(24,609)</u>	<u>(22,947)</u>
<b>Net Surplus</b>		555,632	236,023
<b>Other Comprehensive Income:</b>			
Items that may not be subsequently reclassified to profit or loss			
Re-measurement of post-employment obligation, net of tax		<u>(6,888)</u>	<u>(9,017)</u>
<b>Total Comprehensive Income</b>		<u><u>548,744</u></u>	<u><u>227,006</u></u>

# Betting, Gaming and Lotteries Commission

## Statement of Financial Position

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 \$'000	Restated 2013 \$'000	Restated 2012 \$'000
<b>Non-Current Assets</b>				
Property, plant and equipment	11	381,304	294,642	284,891
Deferred tax asset	12	18,039	13,392	9,457
Long term receivables	13	9,458	6,780	2,989
Investments	14	134,331	153,007	182,242
		<u>543,132</u>	<u>467,821</u>	<u>479,579</u>
<b>Current Assets</b>				
Assets held for sale	15	16,055	-	-
Inventories		1,432	2,075	812
Receivables	16	79,454	140,671	36,170
Taxation recoverable		10,821	27,603	44,526
Current portion of long term receivables	13	4,655	4,050	3,952
Repurchase agreements	17	308,070	265,554	210,166
Cash and bank	18	274,603	23,569	11,054
		<u>695,090</u>	<u>463,522</u>	<u>306,680</u>
<b>Current Liabilities</b>				
Payables	20	346,288	144,769	73,512
Deferred income	21	44,770	50,898	29,386
Current portion of long term loan	22	-	8,682	14,792
		<u>391,058</u>	<u>204,349</u>	<u>117,690</u>
<b>Net Current Assets</b>				
		<u>304,032</u>	<u>259,173</u>	<u>188,990</u>
		<u>847,164</u>	<u>726,994</u>	<u>668,569</u>
<b>Shareholders' Equity</b>				
Reserve for capital development	23	-	9,246	9,246
Reserve for contingencies	24	-	182,696	182,696
Accumulated surplus		816,495	475,809	368,260
		<u>816,495</u>	<u>667,751</u>	<u>560,202</u>
<b>Non-Current Liabilities</b>				
Long term loan	22	-	43,307	107,896
Retirement benefit liability	26	30,669	15,936	471
		<u>30,669</u>	<u>59,243</u>	<u>108,367</u>
		<u>847,164</u>	<u>726,994</u>	<u>668,569</u>

Approved for issue by the Board of Commissioners on July 25, 2014 and signed on its behalf by:

Gary Peart

Chairman

Peter Reid

Commissioner

# Betting, Gaming and Lotteries Commission

## Statement of Changes in Equity

Year ended 31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Reserve for Capital Development \$'000	Reserve for Contingencies \$'000	Accumulated Surplus \$'000	Total \$'000
<b>Balance at 1 April 2012, as previously reported</b>		9,246	182,696	366,713	558,655
Effects of change in accounting standard	29	-	-	1,547	1,547
<b>Balance as restated</b>		9,246	182,696	368,260	560,202
Remeasurement of pension obligation, net of taxes		-	-	(9,017)	(9,017)
Net surplus		-	-	236,023	236,023
Total Comprehensive income		-	-	227,006	227,006
Transactions with owners					
Distributions	25	-	-	(86,650)	(86,650)
Loss on National Debt Exchange		-	-	(32,807)	(32,807)
<b>Balance at 31 March 2013, as restated</b>		9,246	182,696	475,809	667,751
Remeasurement of pension obligation, net of taxes		-	-	(6,888)	(6,888)
Net surplus		-	-	555,632	555,632
Total Comprehensive income		-	-	548,744	548,744
Transfers to retained earnings		(9,246)	(182,696)	191,942	-
Transaction with owners					
Distributions	25	-	-	(400,000)	(400,000)
<b>Balance at 31 March 2014</b>		-	-	816,495	816,495

# Betting, Gaming and Lotteries Commission

## Statement of Cash Flows

Year ended 31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 \$'000	Restated 2013 \$'000
<b>Cash flows from operating activities</b>			
Net surplus		555,632	236,023
Adjustments for:			
Depreciation	11	4,584	11,305
Gain on disposal of property, plant and equipment		(143)	(74)
Interest income	6	(42,612)	(33,945)
Retirement benefit liability		5,550	1,940
Interest expense		477	10,515
Foreign exchange gain on investments		(852)	(4,031)
Taxation	10	24,609	22,947
		<u>547,245</u>	<u>244,680</u>
Changes in operating assets and liabilities:			
Inventories		643	(1,263)
Receivables		61,217	(104,501)
Payables		201,519	4,058
Deferred income		(6,128)	21,512
Cash provided by operations		<u>804,496</u>	<u>164,486</u>
Tax paid		<u>(10,178)</u>	<u>(5,451)</u>
Net cash provided by operating activities		<u>794,318</u>	<u>159,035</u>
<b>Cash flows from investing activities</b>			
Interest received		43,091	33,803
Investments		29,146	-
Purchase of property, plant and equipment	11	(107,302)	(21,098)
Proceeds from sale of property, plant and equipment		143	116
Short term deposits with original terms to maturity greater than three months		(78,263)	(33,808)
Long term receivables		(3,283)	(3,889)
Net cash used in investing activities		<u>(116,468)</u>	<u>(24,876)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(477)	(10,515)
Repayment of long term loan		(51,989)	(70,699)
Distribution	25	(400,000)	(26,500)
Net cash used in financing activities		<u>(452,466)</u>	<u>(107,714)</u>
Net increase in cash and cash equivalents		225,384	26,445
Net cash and cash equivalents at beginning of year		246,365	219,920
<b>NET CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	18	<u>471,749</u>	<u>246,365</u>

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

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### 1. The Commission

Betting, Gaming and Lotteries Commission ("The Commission") was established under the Betting, Gaming and Lotteries Act. The Commission is a Jamaican statutory body which regulates betting, gaming and lottery activities carried on in Jamaica. Its activities also include the investing of surplus funds. The Commission's principal place of business is 17 Ruthven Road, Kingston 10.

The Commissioners at the start and the end of the year were:

Mr. Gary Peart	-	Chairman
Mr. Terrence Allen		
Mr. Peter Reid		
Mrs. Monique Harrison-Beckford		
Mr. Leacroft Forden		
Mr. Gilroy English		

The Board of Commissioners was appointed for three years with effect from 28 March 2012.

Members of the management team at 31 March 2014 were:

Mr. Andral Shirley	-	Executive Director
Mr. Garnett Daley	-	Director of Enforcement
Mrs. Laurie Wiggan	-	Director of Compliance and Regulation / Acting Director of Licensing and Registration
Mrs. Lorraine Thompson - Barnett		Acting Director of Finance
Mrs. Amina Maknoon	-	Director of Legal Services and Corporate Secretary
Mrs. Germaine Kamicka	-	Director of Human Resources and Administration
Mrs. Carole Martinez – Johnson	-	Director of Information, Communication & Technology

### 2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Commission's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Commission has assessed the relevance of all such new standards, interpretations and amendments and has put into effect the following IFRS, which are immediately relevant to its operations.

# Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (a) Basis of preparation (continued)

#### *Standards, interpretations and amendments to published standards effective in the current year*

- **Amendment to IAS 1, 'Presentation of financial statements'** (effective for annual periods beginning on or after 1 July 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The Commission has applied the amendment from 1 April 2013 resulting in a change in presentation of the statement of other comprehensive income.
- **IAS 19, 'Employee benefits' was revised in June 2011.** The changes on the Commission's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). See note 29 for the impact on the financial statements.
- **IFRS 13, 'Fair value measurement' (effective for annual periods beginning on or after 1 January 2013).** IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards, for both financial instruments and non-financial instruments. In general, the disclosure requirements of IFRS 13 are more extensive than those required in current standards. The Commission adopted IFRS 13 effective 1 April 2013 which resulted in expanded disclosures in the financial

#### *Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted*

At the date of authorisation of these financial statements, certain new accounting standards, amendments and interpretations to existing standards have been published which are not yet effective. The Commission has concluded that the following standards which are published but not yet effective, are relevant to its operations, and will impact the Commission's accounting policies and financial disclosures as discussed below. These pronouncements are effective for annual periods beginning on or after the dates noted, and will be applied by the Commission as of those dates, unless otherwise noted.

- **IFRS 9, 'Financial instruments'** (effective for annual periods beginning on or after 1 January 2015). The standard introduces new requirements for the classification, measurement and recognition of financial assets and financial liabilities, in order to ensure that relevant and useful information is presented to users of financial statements. It replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The determination of classification will be made at initial recognition, and depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Management is assessing the timing of its adoption by the Commission, and the potential impact of adoption.

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Significant Accounting Policies (Continued)

#### (b) Income recognition

Income comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Commission's activities. Income is shown net of General Consumption Tax, rebates and discounts. Income is recognised as follows:

##### (i) Betting gaming and lottery activities

Income from betting activities is recognised on the accrual basis. The Commission earns income for its regulatory activities from statutory contributions based on the licensee's gross profit. The amounts accrued from bookmakers and the racing promoters are based on information provided by licensees and audits conducted by the Commission and such information is provided to the Inland Revenue Department.

##### (ii) License fees

Income from a license is determined by payment and renewal. A license that is not paid and renewed is not considered in force and, thus, not recognised as income.

##### (iii) Unclaimed winnings

Unclaimed winnings are earned from 50% of lottery winnings which remain unclaimed after 21 days. These are recorded on an accrual basis.

##### (iv) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When an interest receivable balance is impaired, the Commission reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

#### (c) Foreign currency translation

##### (i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Commission operates ('the functional currency'). The financial statements are presented in Jamaican dollars, which is also the functional currency of the Commission.

##### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the statement of comprehensive income.

#### (d) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Commission will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at market interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income.

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Summary of Significant Accounting Policies (Continued)

#### (e) Property, plant and equipment

Property, plant and equipment comprise mainly office buildings, furniture and fixtures and are stated at cost less depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Commission and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other property, plant and equipment is calculated using the straight-line basis to allocate their cost to their residual values over their expected useful lives at annual rates as follows:

Freehold buildings	2½%
Furniture and fixtures	20%
Computer equipment	33⅓%
Motor vehicles	20%
Storage facility and equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at year end date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating surplus in the statement of comprehensive income.

#### (f) Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each statement of financial position date.

#### (g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Significant Accounting Policies (Continued)

#### (h) Financial instruments

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

##### **Financial assets**

The Commission classifies its financial assets in the following categories: loans and receivables and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

##### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. Loans and receivables include long term receivables, cash, repurchase agreements and trade and other receivables in the statement of financial position.

##### **Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities including Fixed Rate Accreting Notes (FRANs) that the Commission's management has the positive intention and ability to hold to maturity. These assets are classified as investments on the statement of financial position.

Where the Commission is required to sell other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and reclassified as available-for-sale. Held-to-maturity investments are initially recognized at fair value plus transaction costs and are subsequently measured at amortised cost using effective yield method.

##### *Special accounting for state-owned/controlled entities on exchange into the FRANs*

Having regard to the FRANs, which were received at 80% of the face of previously held notes, and which were issued under the Government of Jamaica National Debt Exchange and which were mandatory for state-owned/controlled entities, exchange of Old Notes into the FRANs has been recognised as a "transaction with the owners in their capacity as owners" under IAS 1, Presentation of Financial Statements, and the loss arising on initial recognition of the FRANs in the prior year was recognised directly in equity similar to a distribution.

The difference between the amounts initially recognised on the FRANs and the redemption amounts will be recognised as interest income over the life of the FRANs using the effective yield method.

##### **Financial liabilities**

The Commission's financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method. Financial liabilities include payables and long term loan on the statement of financial position.

#### (i) Securities purchased under agreements to resell

Securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

# Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (j) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### (k) Cash and cash equivalents

Cash and cash equivalents include repurchase agreements, cash in hand and deposits held at call with banks with original maturities of three months or less. These are recognised initially at fair value and subsequently measured at amortised cost.

### (l) Employee benefits

#### Pension obligations

The Commission participates in a defined benefit plan, the assets of which are generally held in a separate trustee-administered fund. The scheme is generally funded by payments from employees and the Commission taking into account the recommendations of independent qualified actuaries. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The asset or liability recognised in the statement of financial position in respect of defined benefit plans is the difference between the present value of the defined benefit obligation at the year end date and the fair value of plan assets, adjusted for unrecognised actuarial gains/losses and past service costs. Where a pension asset arises, the amount recognised is limited to the net total of any cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan. The pension plan costs are assessed using the projected unit credit method.

Under this method, the cost of providing pensions is charged to the statement of comprehensive income so as to spread the regular cost of service over the service lives of the employees in accordance with the advice of the actuaries, who carry out a full valuation of the plan every year. The pension obligation is measured at the present value of the estimated future cash outflows using discount rates based on market yields on government securities which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

#### Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Commission recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after statement of financial position date are discounted to present value.

### (m) Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Significant Accounting Policies (Continued)

#### (n) Taxation

Taxation on the surplus for the year comprises current and deferred income taxes.

Current income tax charges are based on taxable surplus for the year, which differs from the surplus before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Commission's liability for current income tax is calculated at tax rates that have been enacted at the statement of financial position date.

Deferred income tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is charged or credited to profit or loss, except where it relates to items charged or credited to other comprehensive income or equity, in which case, deferred tax is also dealt with in other comprehensive income or equity.

Tax assets and liabilities are offset when they arise from the same taxable entity, relate to the same tax authority and when the legal right of offset exists.

### 3. Financial Risk Management

The Commission's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Commission's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Commission's financial performance.

The Commission'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 Commission regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Commissioners has overall responsibility for the establishment and oversight of the Commission's risk management framework.

The risk management policies are established to identify and analyse the risk faced by the Commission, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Commission's activities. Management standards and procedures aim to develop a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

# Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

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## 3. Financial Risk Management (Continued)

### (a) Credit risk

The Commission takes on exposure to credit risk which is the risk of loss to the Commission arising from a counterparty to a financial instrument failing to meet its contractual obligations. Credit exposures arise principally from the Commission's trade receivables and treasury activities.

#### ***Accounts and long term receivables***

Accounts receivable mainly consist of sales income and fee receivable. These amounts are due from institutions which management regards as financially sound.

Long term receivables include staff loans for motor vehicles. There is a documented credit policy in place which guides the Commission's credit process for staff loans. The policy includes established procedures for the authorisation of credit and repayment terms. Liens on motor vehicles are obtained as security against loans.

#### ***Investment securities***

The Commission limits its exposure to credit risk by investing mainly in liquid Government of Jamaica securities with counterparties that have a high credit quality. Consequently, management does not expect any counterparty to fail to meet its obligation.

The Commission has documented investment policies which guide the management of credit risk on investment securities and resale agreements. The Commission's exposure is continually monitored.

#### ***Cash and cash equivalents***

Cash and cash equivalents are held in financial institutions which management regards as strong and there is no significant concentration. The strength of these financial institutions is constantly reviewed. Resale agreements are secured by Government of Jamaica or Bank of Jamaica securities. The collateral obtained is at least one hundred percent of the sum of the principal value of the resale agreement plus interest to be earned.

#### ***Worst case scenario of credit risk exposure***

The Commission's maximum exposure to credit risk equals the carrying amounts on the statement of financial position, of the assets which expose the commission to credit risk. There has been no change over the prior year in the manner in which the Commission manages and measures credit risk.

# Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (a) Credit risk (continued)

#### ***Ageing analysis of trade accounts receivables that are past due but not impaired***

Fees and contributions receivables that are less than 31 days past due are not usually considered impaired unless there are unusual circumstances. The fees and contributions receivables that are over 31 days past due but not considered impaired total \$17,590,000 (2013 – \$7,833,000). These relate to customers for whom there is no recent history of default.

#### ***Ageing analysis of trade receivables that are considered impaired***

Fees and contributions receivables of \$14,659,000 (2013 – \$14,659,000) were considered impaired and were fully provided for. The individually impaired receivables relate to customers who are in unexpected difficult economic situations. The ageing of these receivables is as follows.

	2014 \$'000	2013 \$'000
0 – 30 days	-	2,335
61 – 90 days	-	884
Over 90 days	14,659	11,440
	<u>14,659</u>	<u>14,659</u>

#### ***Movement analysis of provision for impairment:***

- Fees and contributions receivable  
During the year, there was no additional provision for impairment for fees and contributions receivables. There were no direct write offs nor reversals of unused amounts in both years. The balance on the provision account at year end is \$14,659,000 (2013 - \$14,659,000) (Note 16).
- Long term receivables  
The balance on the provision account at year end is \$20,000,000 (2013 - \$20,000,000) (Note 13). There were no additional provisions, write-offs nor recoveries during the year.

The creation and release of provision for impaired receivables is included in expenses in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. There are no financial assets other than those mentioned above that were individually impaired.

### (b) Liquidity risk

Liquidity risk is the risk that the Commission is unable to meet its payment obligations associated with its financial liabilities when they fall due.

#### **Liquidity risk management process**

The Commission's liquidity management process, as carried out within the Commission and monitored by the Board of Commissioners, includes:

- Monitoring future cash flows and liquidity regularly. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required.
- Optimising cash returns on investment.

# Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (b) Liquidity risk (continued)

#### **Undiscounted cash flows of financial liabilities**

The tables below summarise the maturity profile of the Commission's financial liabilities at 31 March based on contractual undiscounted payments at contractual maturity dates.

	Within 1 Year \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Total \$'000
<b>2014</b>				
Payables	33,682	-	-	33,682
<b>Total financial liabilities</b>	<b>33,682</b>	<b>-</b>	<b>-</b>	<b>33,682</b>
<b>2013</b>				
Loans	15,137	51,718	-	66,855
Payables	22,608	-	-	22,608
<b>Total financial liabilities</b>	<b>37,745</b>	<b>51,718</b>	<b>-</b>	<b>89,463</b>

Liabilities are usually covered by cash generated from operations in the normal course of business. Assets available to meet all liabilities and to cover financial liabilities include cash, investments and repurchase agreements.

### (c) Market risk

The Commission takes on exposure to market risks, 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 rates and interest rates.

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

#### **Currency risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Management manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. Management further manages this risk by holding foreign currency balances.

The Commission's exposure to currency risk at year end was as follows:

	2014 US\$'000	2013 US\$'000
<b>Assets</b>		
Investments	76	618
Repurchase agreements	1,534	345
Cash at bank	14	35
	<u>1,624</u>	<u>998</u>

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

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### 3. Financial Risk Management (Continued)

#### (c) Market risk (continued)

##### ***Interest rate risk***

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Commission to cash flow interest risk, whereas fixed interest rate instruments expose the Commission to fair value interest risk.

The Commission earns interest on its securities purchased under resale agreements as disclosed in Note 17. As these deposits have a short term to maturity and are constantly reinvested at current market rates, they are not significantly exposed to interest rate risk. The Commission also earns interest on its long term receivables (Note 13), investment securities (Note 14) and certain deposit and bank balances (Notes 17 and 18). These financial assets are fixed rate instruments and expose the Commission to neither cash flow nor fair value interest rate risk.

The Commission incurs interest on its borrowings disclosed in Note 22. These borrowings are at fixed rates, and expose the Commission to neither cash flow nor fair value interest rate risk. Interest rate fluctuations are not expected to have a material effect on the net results or shareholders' equity.

#### (d) Capital management

The Commission's objective when managing capital is to ensure that it will be able to pay its debts and remain financially sound. The Commission is not subject to externally imposed capital requirements.

#### (e) Fair values 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. There are no financial instruments that, subsequent to initial recognition, are measured at fair value. The following methods and assumptions have been used in determining fair values disclosed for instruments not re-measured at fair value after initial recognition.

The carrying values of the amounts included in the financial statements for cash and bank, receivables, repurchase agreements and payables reflect their approximate fair values because of the short term maturity of these instruments.

The fair values of long term receivables and investment securities have been estimated at \$9,534,000 (2013 - \$9,797,000) and \$123,884,000 (2013 - \$148,678,000) respectively. The values were derived by discounting the contractual cash flows using the market rate of interest. The carrying values (carried at amortised cost) of these assets are \$14,113,000 (2013 - \$10,830,000) and \$122,971,000 (2013 - \$151,265,000) respectively.

The long-term loan is carried at amortised cost, which is estimated to be its fair value as the loan attracts terms and conditions available in the market for similar transactions.

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Commission makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Management does not consider that there are estimates and assumptions that will have a significant risk, causing a material adjustment to the carrying amounts of assets and liability within the next financial year.

### 5. Income

	2014 \$'000	2013 \$'000
Lotteries	610,630	296,737
Gaming machines	120,110	91,367
Bookmakers	41,943	33,036
Racing promoter	8,893	11,183
Bingo	4,800	4,800
Prize promotions	14,500	12,600
	<u>800,876</u>	<u>449,723</u>

### 6. Other Operating Income

	2014 \$'000	2013 \$'000
Interest	42,612	33,945
Foreign exchange gain	13,419	7,205
Storage and transport fees	267	578
Unclaimed winnings	126,667	88,325
Miscellaneous	796	36
Other	143	74
	<u>183,904</u>	<u>130,163</u>

### 7. Grants

The Commission provides an annual grant for an intervention and prevention programme to Rise Life Management Services (formerly Addiction Alert Organisation) to assist in mitigating problem gaming. Total contribution during year was \$7,119,000 (2013 - \$7,642,000).

# Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

## 8. Expenses by Nature

Total administration expenses and grants

	<b>2014</b> <b>\$'000</b>	<b>Restated</b> <b>2013</b> <b>\$'000</b>
Advertising and public relations	5,132	4,138
Audit fees	1,147	1,045
Bad debts	-	12,659
Depreciation	4,584	11,305
Donations and subscriptions	1,621	1,497
Gaming machines labels	642	1,272
Grants	7,119	8,607
Insurance	3,960	2,582
Irrecoverable General Consumption Tax	8,043	5,328
Legal and professional	7,785	4,352
Printing and stationery	4,564	1,585
Rental - office building and furniture	4,877	3,903
Repairs and maintenance	3,383	3,652
Security	6,494	4,883
Special investigations	1,016	1,078
Staff costs (Note 9)	324,450	228,839
Utilities	10,954	10,031
Other	8,291	3,645
	<u>404,062</u>	<u>310,401</u>

## 9. Staff Costs

	<b>2014</b> <b>\$'000</b>	<b>Restated</b> <b>2013</b> <b>\$'000</b>
Salaries and wages	177,739	123,855
Payroll taxes – employer's contribution	20,584	15,766
Pension (Note 26)	11,562	8,173
Other employee related costs	114,299	81,045
	<u>324,450</u>	<u>228,839</u>

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 10. Taxation

- (a) The Commission is liable for taxation on income not derived from its core business of the regulation of gaming activities. Taxation is based on surplus for the year adjusted for tax purposes and comprises income tax at 25%.

	<b>2014</b>	<b>Restated</b>
	<b>\$'000</b>	<b>2013</b>
		<b>\$'000</b>
Current income tax	29,763	22,985
Prior year over-accrual	(2,803)	(611)
Deferred taxation (Note 12)	(2,351)	573
	<u>24,609</u>	<u>22,947</u>

- (b) The tax on the Commission's surplus differs from the theoretical amount that would arise using the applicable tax rate as follows:

	<b>2014</b>	<b>Restated</b>
	<b>\$'000</b>	<b>2013</b>
		<b>\$'000</b>
Surplus before taxation	<u>580,241</u>	<u>258,970</u>
Tax calculated at 25% (2013 - 33⅓%)	145,060	86,323
Adjusted for the effects of:		
Income not taxable	(195,631)	(145,708)
Expenses not deductible for tax	80,226	81,944
Adjustment to tax rates	3,348	-
Adjustment for prior year over-accrual	(2,803)	(611)
Other charges and allowances	(5,591)	999
Tax charge	<u>24,609</u>	<u>22,947</u>

- (c) The tax credit relating to components of other comprehensive income is as follows:

	<b>2014</b>	<b>Restated</b>
	<b>\$'000</b>	<b>2013</b>
		<b>\$'000</b>
Other comprehensive income -		
Retirement benefit obligations		
Remeasurements on retirement benefit obligation, before tax	9,184	13,525
Tax charge (Note 12)	(2,296)	(4,508)
	<u>6,888</u>	<u>9,017</u>

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 11. Property, Plant and Equipment

	Land	Freehold Buildings	Furniture & Fixtures	Computer Equipment	Motor Vehicles	Storage Facility and Equipment	Capital Work In Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At Cost -								
31 March 2012	86,204	20,092	12,502	51,443	8,432	1,404	165,993	346,070
Additions	-	-	810	-	-	-	20,288	21,098
Disposals	-	-	(20)	(317)	-	-	-	(337)
31 March 2013	86,204	20,092	13,292	51,126	8,432	1,404	186,281	366,831
Additions	-	-	1,397	132	-	-	105,773	107,302
Disposals	-	-	-	-	(494)	-	-	(494)
Transfers (Note 15)	(3,000)	(20,092)	-	-	-	-	-	(23,092)
At 31 March 2014	83,204	-	14,689	51,258	7,938	1,404	292,054	450,547
Depreciation -								
At 31 March 2012	-	6,033	9,913	41,132	2,697	1,404	-	61,179
Charge for the year	-	502	1,183	8,453	1,167	-	-	11,305
Relieved on disposal	-	-	(9)	(286)	-	-	-	(295)
31 March 2013	-	6,535	11,087	49,299	3,864	1,404	-	72,189
Charge for the year	-	502	1,090	1,825	1,167	-	-	4,584
Transfers (Note 15)	-	(7,037)	-	-	-	-	-	(7,037)
Relieved on disposal	-	-	-	-	(493)	-	-	(493)
At 31 March 2014	-	-	12,177	51,124	4,538	1,404	-	69,243
Net Book Value -								
At 31 March 2014	83,204	-	2,512	134	3,400	-	292,054	381,304
At 31 March 2013	86,204	13,557	2,205	1,827	4,568	-	186,281	294,642

In May 1990 the JSPCA was given permission by the Commission to use the certain premises owned by the Commission costing \$1,055,000, on a temporary basis. Subsequently, the Commission thereafter made several requests that the JSPCA vacate these premises, culminating in an agreement that they would vacate the premises by 1999. However, the JSPCA has not honoured this agreement and remains in occupation despite several subsequent notices to vacate issued by the Commission. The Commission is still seeking to recover possession of the premises and proceedings have commenced in the Supreme Court and are pending.

During the year ended 31 March 2011, the Commission acquired premises at Hagley Park Road to be used as office buildings. The acquisition was partially financed via a mortgage from the vendors (Note 21). The mortgage was liquidated in the current year.

The building is being refurbished for future occupancy by the Commission and is included as Capital Work in Progress in the table above.

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 12. Deferred Taxation

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25% (2013 - 33⅓%). The movement in the net deferred tax asset during the year is as follows:

	<b>2014</b>	<b>Restated</b>
	<b>\$'000</b>	<b>2013</b>
		<b>\$'000</b>
Net asset at beginning of year	13,392	9,457
Credited/ (charged) to profit or loss (Note 10)	2,351	(573)
Credited to other comprehensive income (Note 10)	2,296	4,508
Net asset at end of year	<u>18,039</u>	<u>13,392</u>

Deferred income tax assets and liabilities are attributable to the following:

	<b>2014</b>	<b>Restated</b>
	<b>\$'000</b>	<b>2013</b>
		<b>\$'000</b>
Deferred income tax assets -		
Property, plant and equipment	4,793	1,906
Retirement benefit liability	7,667	5,312
Vacation leave accrual	<u>8,009</u>	<u>7,947</u>
	<u>20,469</u>	<u>15,165</u>
Deferred income tax liabilities -		
Unrealised foreign exchange gain	1,363	799
Interest receivable	<u>1,067</u>	<u>974</u>
	<u>2,430</u>	<u>1,773</u>
Net deferred tax asset	<u>18,039</u>	<u>13,392</u>

The deferred tax (credited)/charged in profit or loss and other comprehensive income comprises the following temporary differences:

	<b>2014</b>	<b>Restated</b>
	<b>\$'000</b>	<b>2013</b>
		<b>\$'000</b>
Profit or loss		
Vacation leave accrual	(62)	2,264
Unrealised foreign exchange gain	564	603
Property, plant and equipment	(2,887)	(1,969)
Interest receivable	93	(193)
Retirement benefit liability	<u>(59)</u>	<u>(132)</u>
	<u>(2,351)</u>	<u>573</u>
Other comprehensive income		
Retirement benefit liability	(2,296)	(4,508)

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 12. Deferred Taxation (Continued)

	2014 \$'000	Restated 2013 \$'000
Deferred income tax assets to be recovered -		
After more than 12 months	12,460	5,037
Deferred income tax liabilities to be extinguished -		
After more than 12 months	-	-

### 13. Long Term Receivables

	2014 \$'000	2013 \$'000
Advance to Caymanas Track Limited (a)	20,000	20,000
Less: Provision for impairment	(20,000)	(20,000)
	-	-
Loans to employees (b)	14,113	10,830
Less: Current portion	(4,655)	(4,050)
	9,458	6,780
	9,458	6,780

(a) During the year ended March 31, 2012, the Commission advanced \$20,000,000 to Caymanas Track Limited (CTL), as directed by the Ministry of Finance and Planning (MOFP). The terms for repayment have not yet been finalised. Management has provided for the entire \$20,000,000 that was advanced.

(b) 58% percent (2013 - 37%) of loans to employees are interest-free while the remainder bears interest at 3% per annum and are payable in equal monthly instalments. These include motor vehicle loans to travelling officers who are required to repay mainly over three (3) to five (5) years.

### 14. Investments

	2014 \$'000	2013 \$'000
Held-to-maturity:		
Government of Jamaica securities – Debentures	124,578	151,265
Long term Certificate of Deposit	8,196	-
Interest receivable	1,557	1,742
	134,331	153,007

The fair value of the Government of Jamaica securities was \$123,884,000 (2013 - \$148,768,000).

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 15. Assets Held for Sale

This represents a property (land and building) that was held for sale as at year end and expected to be sold in 2014. It has been reflected as its carrying value, which is less than its fair value less costs incurred to sell of \$86,100,000.

The amounts transferred from property, plant and equipment were as follows:

	\$'000
Cost	23,092
Accumulated depreciation	(7,037)
Net book value	<u>16,055</u>

### 16. Receivables

	2014 \$'000	2013 \$'000
Fees and contributions receivable	51,240	40,941
Unclaimed winnings	10,827	88,325
Staff loans	7,592	6,556
Prepayments and other deposits	5,252	3,843
Other	<u>4,543</u>	<u>1,006</u>
	<u>79,454</u>	<u>140,671</u>

Fees and contributions receivable is stated after provision for bad debts of \$14,659,000 (2013 – \$14,659,000). Staff loans include \$1,385,000 (2013 - \$1,101,000) with related parties (Note 19).

### 17. Securities Purchased under Resale Agreements

The Commission entered into reverse repurchase agreements collateralised by Government of Jamaica securities. These agreements may result in credit exposure in the event that the counter party to the transactions is unable to fulfil its contractual obligation.

	Within 3 Months 2014 \$'000	4 - 12 Months 2014 \$'000	Carrying Value 2014 \$'000	Carrying Value 2013 \$'000
Securities purchased under resale agreements (Note 18)	194,619	110,924	305,543	263,653
Interest receivable	-	-	<u>2,527</u>	<u>1,901</u>
	<u>194,619</u>	<u>119,120</u>	<u>308,070</u>	<u>265,554</u>

The weighted average effective interest rate on securities purchased under resale agreements were as follows:

	2014 %	2013 %
J\$	9.4	5.8
US\$	<u>4.1</u>	<u>3.7</u>

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 17. Securities Purchased under Resale Agreements (Continued)

Included in securities purchased under resale agreements are funds being held in escrow for beneficiaries of ex-employees totalling nil (2013 – 7,049,000) (Notes 18 and 20).

Securities purchased under resale agreements include balances with related parties (Note 18).

### 18. Cash and Cash Equivalents

	2014 \$'000	2013 \$'000
Securities purchased under resale agreements (Note 17)	308,070	263,653
Cash at bank and in hand	274,603	23,569
	582,673	287,222
Less: Repurchase agreement with original maturity over 90 days	(110,924)	(33,308)
Restricted cash (Note 17)	-	(7,049)
	471,749	246,365
	2014 \$'000	2013 \$'000
Cash at bank and in hand comprise:		
Cash at bank	272,553	14,750
Cash in hand	1,897	8,748
Special imprest	100	60
Petty cash	53	11
	274,603	23,569

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 19. Related Party Transactions and Balances

#### (a) Loans to related parties

Loans to other government agencies –

	2014 \$'000	2013 \$'000
Caymanas Track Limited (Note 13)		
Balance outstanding	20,000	20,000
Less: Provision for impairment	(20,000)	(20,000)
	<u>-</u>	<u>-</u>

Loans to key management personnel of the Commission –

	2014 \$'000	2013 \$'000
At start of year	1,307	3,918
Loans advanced during year	2,811	3,594
Loan repayments received	(2,733)	(6,411)
End of year	<u>1,385</u>	<u>1,101</u>

No provision has been required in 2014 and 2013 for the loans made to key management personnel of the Commission.

#### (b) Other balances/transactions with related parties

	2014 \$'000	2013 \$'000
Payables (Note 20)	(10,196)	(66,137)
Securities purchased under resale agreements (Note 17)	-	16,034
Interest income	-	(1,589)
Distributions (Note 25)	<u>400,000</u>	<u>86,650</u>

#### (c) Key management compensation

	2014 \$'000	2013 \$'000
Salaries and other short-term employee benefits	49,977	35,952
Allowances	13,692	11,647
Gratuity accrued	6,554	3,227
Payroll taxes – employer's contributions	4,226	4,072
Pension	435	1,322
	<u>74,884</u>	<u>56,220</u>
Commissioners' emoluments		
Fees	1,065	796
Travel allowance	41	109
Management remuneration (included above)	<u>-</u>	<u>-</u>

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 20. Payables

	2014 \$'000	2013 \$'000
Accruals	26,348	29,549
Accrued vacation leave	32,035	23,840
Funds held in trust (Note 17)	-	7,049
Distribution payable (Note 25)	250,000	60,150
Other	37,905	24,181
	<u>346,288</u>	<u>144,769</u>

Payables include \$10,196,000 (2013 - \$66,137,000) with related parties (Note 19).

### 21. Deferred Income

This represents bookmakers, gaming machines and lottery licence fees received in respect of future periods.

### 22. Long Term Loan

	2014 \$'000	2013 \$'000
Long term loan	-	51,989
Less: Current portion	-	(8,682)
	<u>-</u>	<u>43,307</u>

During the year ended 31 March 2011, the Commission, with the approval of the Ministry of Finance and Planning, acquired a mortgage from Shirlhome Chemical Corporation Limited in the sum of \$140 million for the acquisition of premises at Hagley Park Road (Note 11). The mortgage was for a period of 7 years and repayable in eighty-four (84) equal monthly instalments with interest at 16% per annum. During the year ended 31 March 2013, the existing loan was refinanced after a lump sum payment of \$60,000,000 was made. The balance outstanding at the end of the previous financial year was settled in full during the current financial year.

### 23. Reserve for Capital Development

This represented interest earned on certain fixed deposits in prior years, which had been transferred from retained earnings. These reserve funds were maintained for the purposes of capital development. Transfers were made to keep the reserve at a level that was considered adequate by management. The balance in this reserve was transferred to retained earnings during the current year as the Commission was of the view that a special reserve for capital development was no longer needed.

### 24. Reserve for Contingencies

This is an account that was built up from a transfer of cess and fees earned from Jamaica Lottery Company Holdings Limited, Supreme Ventures Lotteries Limited, and Telefun International Limited. The balance in this reserve was transferred to retained earnings during the current year as the Commission felt that a special reserve for contingencies was no longer needed.

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 25. Distributions

Pursuant to directives from the Honourable Minister of Finance and Planning, the Commission was required to distribute a total of \$400,000,000 (2013 - \$86,650,000) to the Consolidated Fund. A total of \$150,000,000 was paid out at 31 March 2014.

### 26. Retirement Benefit Liability

#### Pension benefits

The Commission participates, jointly with Jamaica Racing Commission, in a defined benefit pension scheme which is fully funded. The scheme is open to all permanent employees of the Commission and is administered by trustees. Under the scheme, retirement benefits are based on average earnings during the three years preceding retirement. The scheme is funded by employee contributions at 5% and employer contribution of 6.6% of salary, as recommended by independent actuaries. Members may also make voluntary contributions of up to 5% of their earnings.

The assets of the scheme are held independently of the Commission's assets in a separate trustee-administered fund. The scheme is valued by independent actuaries annually using the projected unit credit method. The latest actuarial valuation was carried out as at 31 March 2013.

Additionally, the plan is valued by independent actuaries triennially to determine the adequacy of funding. The latest such valuation being as at 30 June 2012 revealed that the scheme was reflecting a surplus of approximately \$2.9 million.

The defined benefit liability amounts relating to the Commission and recognised in the statement of financial position are determined as follows:

	2014	Restated 2013
	\$'000	\$'000
Present value of funded obligations	357,386	310,272
Fair value of plan assets	(326,717)	(294,336)
Liability recognised in statement of financial position	<u>30,669</u>	<u>15,936</u>

The movement in the defined benefit liability recognised in the statement of financial position is as follows:

	2014	Restated 2013
	\$'000	\$'000
At beginning of the year	15,936	471
Statement of comprehensive income (Note 9)	11,562	8,173
Remeasurements recognised in other comprehensive income	9,184	13,525
Contributions paid	(6,013)	(6,233)
At end of year	<u>30,669</u>	<u>15,936</u>

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 26. Retirement Benefit Liability (Continued)

The amounts recognised in the statement of comprehensive income are as follows:

	<b>2014</b>	<b>Restated</b>
	<b>\$'000</b>	<b>2013</b>
		<b>\$'000</b>
Service Cost	10,764	8,785
Net Interest Cost:		
Interest cost on defined benefit obligations	27,178	25,262
Interest income on plan assets	<u>(26,380)</u>	<u>(25,874)</u>
	<u>11,562</u>	<u>8,173</u>

The movement in the present value of the funded obligation is as follows:

	<b>2014</b>	<b>Restated</b>
	<b>\$'000</b>	<b>2013</b>
		<b>\$'000</b>
Present value of obligation as at 1 April	310,272	285,554
Service cost	10,764	8,785
Interest cost	27,178	25,262
Contributions paid	8,437	8,634
Benefits paid	(45,541)	(26,435)
Value of annuities purchased	28,599	16,484
Remeasurement – Changes in demographic assumptions	24,158	-
Remeasurement – Changes in financial assumptions	21,220	-
Remeasurement – Experience adjustments	<u>(27,701)</u>	<u>(8,012)</u>
Present value of funded obligation as at 31 March	<u>357,386</u>	<u>310,272</u>

The movement in the fair value of plan assets for the year is as follows:

	<b>2014</b>	<b>Restated</b>
	<b>\$'000</b>	<b>2013</b>
		<b>\$'000</b>
Fair value of plan assets at 1 April	294,336	285,083
Contributions paid - total	14,449	14,867
Expected return on plan assets	26,380	25,874
Benefits paid	(45,541)	(26,435)
Value of annuities purchased	28,599	16,484
Remeasurement – Changes in demographic assumptions	2,356	-
Remeasurement – Changes in financial assumptions	1,096	-
Remeasurement – Experience adjustments	<u>5,042</u>	<u>(21,537)</u>
Fair value of plan assets at 31 March	<u>326,717</u>	<u>294,336</u>

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 26. Retirement Benefit Liability (Continued)

The Commission's share of plan assets consists of the following:

	2014		Restated 2013	
	\$'000	%	\$'000	%
Equity	128,787	39	107,590	36
Mortgage and real estate	59,613	18	45,320	15
Fixed income	42,574	13	72,422	25
Money market	6,277	2	5,341	2
Foreign currency investments	53,738	16	38,544	13
Value of purchased Annuities	57,309	18	25,119	9
Inflation Linked Fund	3,272	1	-	-
Adjustments	(24,853)	-8	-	-
	<u>326,717</u>	<u>100</u>	<u>294,336</u>	<u>100</u>

The principal actuarial assumptions used were as follows:

	2014 %	2013 %
Discount rate	9.5	10.0
Expected return on plan assets	7.0	7.0
Future salary increases	6.0	6.0
Future pension increases	3.5	3.5
Inflation	<u>5.5</u>	<u>5.0</u>

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the date of the statement of financial position. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

The estimated pension contributions expected to be paid into the plan by the Commission for the next financial year is \$16,449,000 (2013 - \$16,095,000).

The actual return on plan assets was \$8,789,000 (2013 – \$33,515,000).

The average expected remaining working life of the employees is 21 years (2013 – 21 years).

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 26. Retirement Benefit Liability (Continued)

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

	Impact on post-employment obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
		\$'000	\$'000
Discount rate	1%	(47,335)	61,135
Future salary increases	1%	23,580	(20,370)

#### ***Risks associated with pension plans and post-employment plans***

Through its defined benefit pension plans and post-employment medical plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

##### **Asset volatility**

The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields; if plan assets underperform this yield, this will create a deficit.

As the plan matures, the Company intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The Government bonds represent investments in Government of Jamaica securities.

The Company believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the Company's long term strategy to manage the plans efficiently. See below for more details on the Company's asset-liability matching strategy.

##### **Changes in bond yields**

A decrease in Government of Jamaica bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

##### **Inflation risk**

Higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by fixed interest bonds, meaning that an increase in inflation will reduce the surplus or create a deficit.

##### **Life expectancy**

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

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### 27. Contingencies

The Commission is subject to various claims, disputes and legal proceedings, in the normal course of business. Provision is made for such matters when, in the opinion of management and its legal counsel, it is probable that a payment will be made by the Commission, and the amount can be reasonably estimated.

In respect of claims asserted against the Commission which have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Commission which is immaterial to both financial position and results of operations. The Commission is not currently involved in any significant litigation other than that noted below.

Legal action was brought against the Commission arising from a motor vehicle accident in March 2006. A settlement in the sum of \$500,000 has been negotiated with the claimant's attorneys but this settlement is yet to be approved by the courts. No provision has been made in these financial statements for this claim as the claimant has not followed up on it. Should payment be required, the exposure is fully covered by insurance.

### 28. Capital Commitments

At 31 March 2014, the Commission has approved capital commitments of \$27,512,000 for the provision of services in relation to the refurbishing of the premises at Hagley Park Road.

### 29. Restatement

The financial statements of the Commission for the years ended 31 March 2012 and 31 March 2013 have been restated to reflect the effects of the following:

#### (a) Adoption of IAS 19 (Revised), 'Employee Benefits'

The revised employee benefit standard introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits. The standard also requires net interest expense/income to be calculated as the product of the net defined benefit liability/asset and the discount rate as determined at the beginning of the year. The effect of this is to remove the previous concept of recognising an expected return on plan assets. The revised standard also resulted in the immediate and full recognition of actuarial gains and losses in other comprehensive income. The adoption of the standard also resulted in a revision to amounts recorded as deferred tax asset or liabilities.

# Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

## 29. Restatement (Continued)

*Effect on company statement of financial position as at 31 March 2012*

	As previously stated \$'000	Effect of Restatements \$'000	As Restated \$'000
<b>Non-Current Assets</b>	479,579	-	479,579
<b>Current Assets</b>	306,680	-	306,680
<b>Current Liabilities</b>	(117,690)	-	(117,690)
<b>Net Current Assets</b>	188,990	-	188,990
	668,569	-	668,569
<b>Shareholders' Equity</b>			
Reserve for capital development	9,246	-	9,246
Reserve for contingencies	182,696	-	182,696
Accumulated surplus	366,713	1,547	368,260
	558,655	1,547	560,202
<b>Non-Current Liabilities</b>			
Long term loan	107,896	-	107,896
Retirement benefit liability	2,018	(1,547)	471
	109,414	-	108,367
	668,569	-	668,569

# Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

## 29. Restatement (Continued)

*Effect on results of operations for the year ended 31 March 2013*

	As previously stated \$'000	Effect of Restatements \$'000	As Restated \$'000
<b>Income</b>	449,723	-	449,723
Other operating income	130,163	-	130,163
Administration expenses	(307,229)	5,435	(301,794)
Other operating expenses	(8,607)	-	(8,607)
<b>Operating Surplus</b>	264,050	5,435	269,485
Finance costs	(10,515)	-	(10,515)
<b>Surplus before Taxation</b>	253,535	5,435	258,970
Taxation	(20,620)	(2,327)	(22,947)
<b>Net Surplus</b>	232,915	3,108	236,023
<b>Other Comprehensive Income, net of taxes -</b>			
<b>Item that will not be reclassified to profit or loss -</b>			
Re-measurements of retirement benefit liability	-	(9,017)	(9,017)
	232,915	(9,017)	223,898
<b>Total Comprehensive Income</b>	232,915	(5,909)	227,006

# Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

## 29. Restatement (Continued)

*Effect on company statement of financial position as at 31 March 2013*

	As previously stated \$'000	Effect of Restatements \$'000	As Restated \$'000
<b>Non-Current Assets</b>			
Property, plant and equipment	294,642	-	294,642
Deferred tax asset	11,211	2,181	13,292
Long term receivables	6,780	-	6,780
Investments	153,007	-	153,007
	465,640	2,181	467,281
<b>Current Assets</b>	463,522	-	463,522
<b>Current Liabilities</b>	204,349	-	204,349
<b>Net Current Assets</b>	259,173	-	259,713
	724,813	2,181	726,994
<b>Shareholders' Equity</b>			
Reserve for capital development	9,246	-	9,246
Reserve for contingencies	182,696	-	182,696
Accumulated surplus	480,171	(4,362)	475,809
	672,113	(4,362)	667,751
<b>Non-Current Liabilities</b>			
Long term loan	43,307	-	43,307
Retirement benefit liability	9,393	6,543	15,936
	52,700	-	59,243
	724,813	6,543	726,994

## NOTES

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# ANNUAL REPORT

2013-2104



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