



# **THE BETTING, GAMING AND LOTTERIES COMMISSION**

**30th Annual Report  
For the Year 2004-2005**

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## CHAPTER ONE

### OVERVIEW

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#### 1.1 Introduction

This marks the thirtieth Annual Report of the Betting, Gaming and Lotteries Commission since its establishment in 1975. The report examines developments in the Betting, Gaming and Lottery Sectors for the period April 01, 2004 to March 31, 2005.

#### 1.2 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. The Commission licences, regulates and monitors the gaming industry, facilitates its growth and development and protects the public from unfair, unscrupulous and illegal activities.

Specifically, the Commission:

1. regulates and controls the operation of betting and gaming, and the conduct of lotteries in the island;
2. grants permits, licences and approvals to persons or entities considered fit and proper to conduct betting, gaming and lotteries activities.
3. examines, in consultation with such organizations and persons as it considers appropriate, problems relating to the operation of betting and gaming and the conduct of lotteries in the island;
4. furnishes information and advice and makes recommendations to the Minister of Finance and Planning with respect to the exercise of his function under the Act;
5. conducts investigations, studies and surveys for the purpose of obtaining information for use in the exercise of its functions.
6. advises the Minister of Finance and Planning and recommends legislative amendments pertaining to the Act, Regulations and Orders to ensure an orderly development of the industry.

## CHAPTER ONE - OVERVIEW

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### *Vision*

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

### 1.3 Board of Commissioners

The Board of Commissioners consists of seven members and has the overall responsibility for corporate governance and the strategic direction of the Commission.

The Board comprises Chairman Walter Scott and Commissioners Paul Davis, Lorna Green, Dorothy Miller, Clive Nicholas, Las Perry and Hugh Reid.

#### Composition of Board Sub-Committees

##### **Audit**

Clive Nicholas ( Chairman)  
Paul Davis  
Hugh Reid

##### **Legislative**

Walter Scott (Chairman)  
Paul Davis  
Dorothy Miller

##### **Finance**

Hugh Reid (Chairman)  
Clive Nicholas  
Lorna Green

##### **Human Resource**

Las Perry (Chairman)  
Lorna Green  
Dorothy Miller

The Executive Director also serves on each Sub-Committee.

#### Composition of Executive Management

Name	Position	Annual Basic Salary	Annual Allowances
		\$	\$
Derek Peart	Executive Director	3,750,000	237,500
Leslie Wright	Director of Betting	2,234,241	536,275
Wayne Stewart	Director of Gaming & Lotteries	2,010,816	515,275
Carl Hill	Director of Enforcement	2,122,528	277,775
Merrick Brown	Director of Finance & Administration	2,350,000	475,000

## CHAPTER ONE - OVERVIEW

### 1.4 INDUSTRY STATISTICS AT A GLANCE – 2004/2005

<b>Betting Sector</b>		
Promoter – Caymanas Park Limited		75 off track betting parlours
		79 local race meets
		305 simulcast race days
Bookmakers		11 bookmakers
		445 licensed betting offices
		79 local race days
		52 weeks of overseas races
		49 weeks of overseas sporting events
Sales		\$4.93 billion (Promoter \$3.02B ; Bookmakers \$1.90B)
Levies & Duties Payable		\$420.7 million (Promoter \$211.6M; Bookmakers \$209.1M)
Levies & Duties Paid		\$258.9 million (Promoter \$52.4M; Bookmakers \$206.5M)
<b>Lotteries Sector</b>		
Sales		\$13.2 billion
Prize Payouts		\$8.76 billion
Levy Payments		\$898 million
Good Causes/CHASE Contributions		\$698 million
<b>Gaming Sector</b>		
Premises Licensed		331
Gaming Machines Licensed		3250
Government Revenue		\$40.6 million
<b>Prize Promotions</b>		
Applications Received		388
Applications Approved		252
<b>Enforcement</b>		
Operations		97
Arrests		56 persons
Convictions		28 persons

## CHAPTER TWO

### BETTING SECTOR

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#### 2.1 Introduction

This report provides information on the performance of the betting sector which is comprised of Caymanas Track Limited, referred to as the Racing Promoter and 11 bookmakers, down from 15 that operated for the greater part of the previous year.

The betting offices that were operated by Golden Horse Betting were acquired by Champion Betting Company Limited as at September 2003 and Folly's Betting (1963) Limited did not seek a renewal of its permit for the 2004/2005 licensing year. At the same time the application by Cornwall Betting Services Limited for a renewal of permit and betting offices licenses was not granted by the Commission, and Western Track Limited ceased operations in October 2004.

During the financial year, the sector's primary income was derived from horse racing, promoted locally by Caymanas Track Limited (CTL) which in conjunction with six of the 11 bookmakers accepted bets on simulcast races from the United Kingdom, United States of America and Australia to approved locations island wide.

The operations of the promoter were aided by a network of 75 Off Track Betting (OTB) parlours while the bookmakers secured their income from a network of 445 betting offices located island wide.

#### 2.2 Sales Performance

The sector's sales for the year were achieved from 79 days of local racing, 305 days of simulcast racing by the promoter and 52 weeks of overseas races by the bookmakers. The income of bookmakers was supplemented by sales on other sporting events that totalled \$11.57 million for the year.

For the review period, the sector realized sales of \$4.93 billion as against \$4.66 billion the previous year, an improvement of 5.71%.

**Table 1** shows that the promoter's recorded sales of \$3.02 billion for the year is an increase of 6.12% over the previous year during which \$2.85 billion was realized. There was a 4.60% increase in sales on local races that progressed from \$1.58 billion in the previous financial year to \$1.65 billion over the review period. This increase was realized despite a reduction in the number of local race days from 87 in 2003/2004 to 79 over the review period. Correspondingly there was also an increase of 15.19% in the average daily sales from \$18.14 million in the previous year to \$20.89 million over the review period.

Sales performance on overseas races was encouraging, increasing from \$1.27 billion in the previous year to \$1.37 billion during the review period, an increase of some 8.20%. The average daily sales increased by 10.69% moving from \$4.06 million in 2003/2004 to \$4.50 million over the review period.

It should be noted that the promoting company discontinued accepting bets on the Racing Pools in June of 2003 and as such there were no recorded sales in this betting mode over the review period.

## CHAPTER TWO – BETTING SECTOR

**TABLE 1**  
**SUMMARY OF RACING PROMOTER SALES**  
**FISCAL YEARS APRIL 2001 - MARCH 2005**

	Y/E MAR. 2001	Y/E MAR. 2002	% CHANGE	Y/E MAR. 2003	% CHANGE	Y/E MAR. 2004	% CHANGE	Y/E MAR. 2005	% CHANGE
<b>RACING PROMOTER</b>									
<b>LOCAL</b>	<b>1,814,077,891</b>	<b>1,805,682,798</b>	-0.46%	<b>1,658,836,137</b>	-8.13%	<b>1,577,737,094</b>	-4.89%	<b>1,650,283,220</b>	4.60%
NO. OF RACE DAYS	94	93		95		87		79	
AVG. SALES	19,298,701	19,415,944	0.61%	17,461,433	-10.07%	18,134,909	3.86%	20,889,661	15.19%
<b>SIMULCAST</b>	<b>1,097,594,247</b>	<b>1,109,256,288</b>	1.06%	<b>1,100,334,973</b>	-0.80%	<b>1,268,041,907</b>	15.24%	<b>1,372,068,222</b>	8.20%
NO. OF RACE DAYS	311	307		336		312		305	
AVG. SALES	3,529,242	3,613,213	2.38%	3,274,806	-9.37%	4,064,237	24.11%	4,498,584	10.69%
<b>RACING POOLS</b>	<b>26,862,112</b>	<b>21,612,940</b>	-19.54%	<b>16,301,906</b>	-24.57%	<b>2,282,123</b>	-86.00%	<b>N/A</b>	
NO. OF POOLS MEET	52	52		52		12			
AVG. SALES	516,579	415,633	-19.54%	313,498	-24.57%	190,177	-39.34%		
<b>TOTAL</b>	<b>2,938,534,250</b>	<b>2,936,552,026</b>	-0.07%	<b>2,775,473,016</b>	-5.49%	<b>2,848,061,124</b>	2.62%	<b>3,022,351,442</b>	6.12%

It is also worthy of note that total sales by the Promoter were in excess of \$3 billion for the first time in the five years, 2001-2005.

**Table 2**, provides an overview of the bookmakers sales performance over the five year period 2001-2005. There was a 5.08% increase in overall sales which progressed from \$1.81 billion in the previous year to \$1.90 billion in the review period despite the reduction in the number of race days. Average daily sales also increased from \$12.10 million in the previous year to \$13.94 million over the period under review, a 15.22% increase, somewhat similar to that of the Promoter.

The increase recorded on overseas races was 5.46% as sales progressed from \$750.22 million in 2003/2004 to \$791.20 million in 2004/2005. It should again be noted that the recorded sales over the review period was the highest for the five year period 2001-2005. Bookmakers also reported a 24.83% increase in sales on other sporting events which improved from \$9.27 million in the previous year to \$11.57 million during the review period.

**TABLE 2**  
**SUMMARY OF BOOKMAKERS' SALES**  
**FISCAL YEARS APRIL 2001 - MARCH 2005**

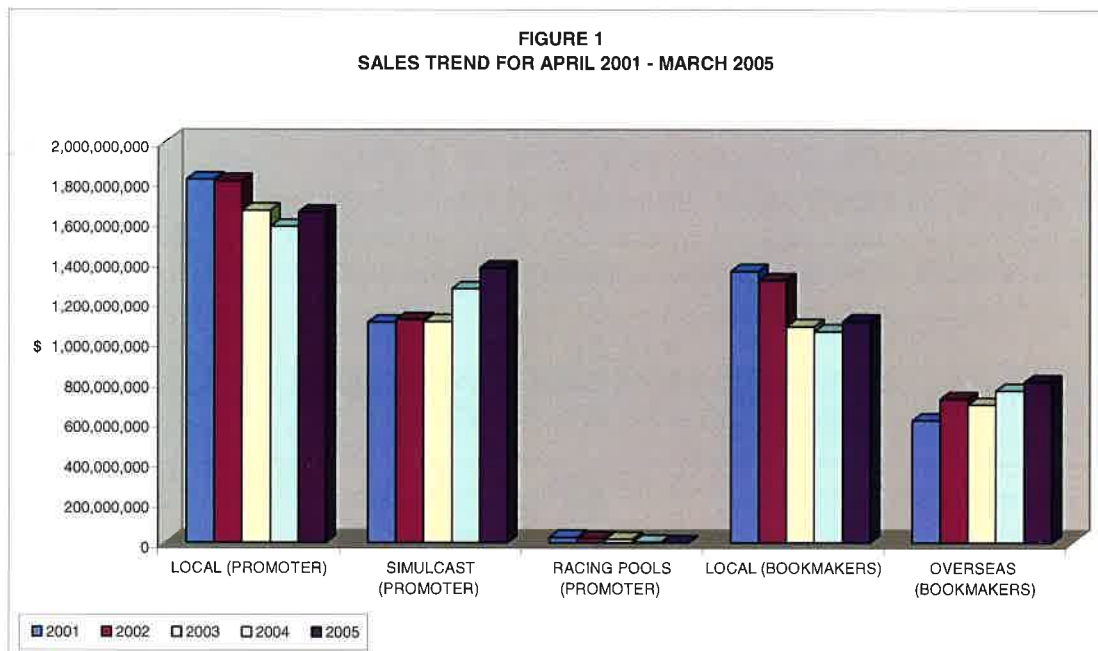
	Y/E MAR. 2001	Y/E MAR. 2002	% CHANGE	Y/E MAR. 2003	% CHANGE	Y/E MAR. 2004	% CHANGE	Y/E MAR. 2005	% CHANGE
<b>BOOKMAKERS</b>									
<b>LOCAL</b>	<b>1,355,666,549</b>	<b>1,310,854,416</b>	-3.31%	<b>1,077,609,686</b>	-17.79%	<b>1,052,845,954</b>	-2.30%	<b>1,101,561,570</b>	4.63%
NO. OF RACE DAYS	94	93		95		87		79	
AVG. SALES	14,421,985	14,095,209	-2.27%	11,343,260	-19.52%	12,101,678	6.69%	13,943,817	15.22%
<b>OVERSEAS</b>	<b>610,715,859</b>	<b>717,411,581</b>	17.47%	<b>687,278,434</b>	-4.20%	<b>750,218,280</b>	9.16%	<b>791,197,018</b>	5.46%
NO. OF RACE WEEKS	53	52		52		52		52	
AVG. SALES	11,522,941	13,796,377	19.73%	13,216,893	-4.20%	14,427,275	9.16%	15,215,327	5.46%
OTHER EVENTS	N/A	N/A		<b>2,574,435</b>		<b>9,265,669</b>		<b>11,566,048</b>	24.83%
<b>TOTAL FOR OVERSEAS</b>	<b>610,715,859</b>	<b>717,411,581</b>	17.47%	<b>689,852,869</b>	-3.84%	<b>759,483,949</b>	10.09%	<b>802,763,066</b>	5.70%
<b>TOTAL FOR BOOKMAKERS</b>	<b>1,966,382,408</b>	<b>2,028,265,997</b>	3.15%	<b>1,767,462,555</b>	-12.86%	<b>1,812,329,903</b>	2.54%	<b>1,904,324,636</b>	5.08%
<b>TOTAL FOR RACING PROMOTER</b>	<b>2,938,534,250</b>	<b>2,936,552,026</b>	-0.07%	<b>2,775,473,016</b>	5.80%	<b>2,848,061,124</b>	2.62%	<b>3,022,351,442</b>	6.12%
<b>INDUSTRY TOTAL</b>	<b>4,904,916,658</b>	<b>4,964,818,023</b>	1.22%	<b>4,542,935,571</b>	-8.50%	<b>4,660,391,027</b>	2.59%	<b>4,926,676,078</b>	5.71%

## CHAPTER TWO – BETTING SECTOR

The increase in sales by both the Racing Promoter and bookmakers was encouraging when viewed against the reduction in the number of race days, the effects of Hurricane Ivan that resulted in the closure of several Off Track betting parlours, betting offices and the decrease in the number of bookmakers as mentioned previously.

In our previous year's report reference was made to a decrease in local sales by bookmakers that started in 2002/2003 and continued into 2003/2004 (see **Table 2**). It is therefore encouraging that despite the reduction in the number of race days, and the number of bookmakers, this trend was reversed in the review period which bodes well for the future of the sector. It is noted however, that while the Promoter and bookmakers achieved record sales in overseas racing, neither have recovered the revenues generated from local sales in the 2000/01 fiscal year. Further, overall sales by the Promoter in the year under review were 2.8% above the fiscal 2001, while comparative performance by bookmakers was a 3.25% decline.

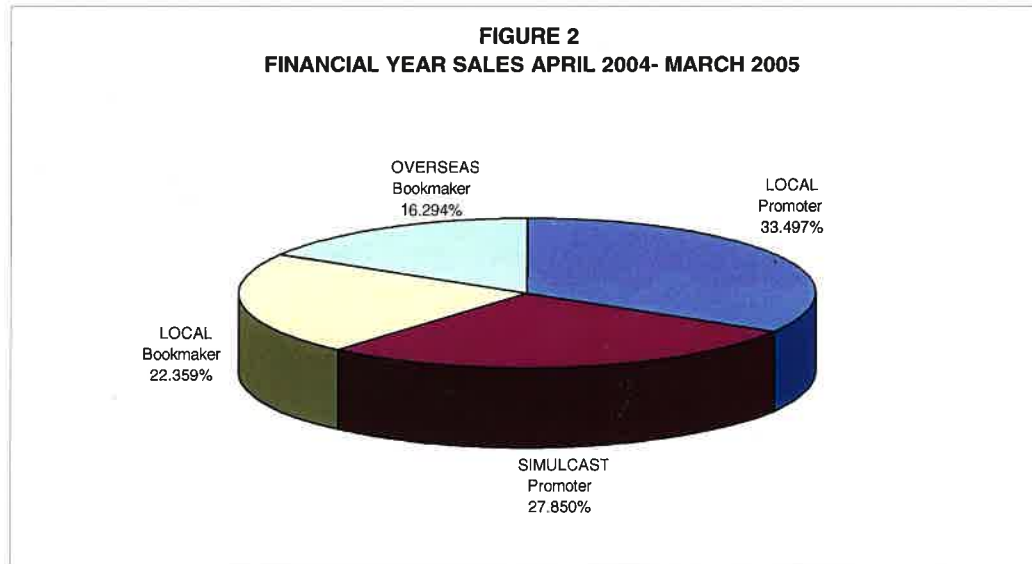
**Figure 1** depicts the sales performance of the Racing Promoter and bookmakers for the five year period 2001-2005, during which the dominance of the Promoter in generating more sales in the sector than bookmakers remained constant. In 2003/2004 sales were 61.12% of the \$4.660B recorded, while in 2004/2005 the figure was 61.36% of the \$4.927B: Bookmakers' sales accounted for the remaining 38.88% and 38.67%, respectively.



**Figure 2** shows that sales on local races by the Racing Promoter and bookmakers together were responsible for 55.86% of the sector's total during 2004/2005. **Figure 2** also shows that bookmakers' sales on overseas races amounted to 16.29% of the total generated by the sector while sales on local races were responsible for 22.36%. In the case of the Promoter, sales on overseas races were 27.85% of the sector's total and 33.50% for local races.



## CHAPTER TWO – BETTING SECTOR



### 2.3 Competition

The performance of individual bookmakers in sales on local and overseas racing is highlighted in **Table 3**. As was the case in previous years, Track Price Plus Limited (TPP) continues to dominate the bookmaking sector in terms of sales. The company recorded the highest overall reported sales of \$683.08 million for local and overseas racing, representing 35.9% of bookmakers' sales. This was achieved through the operations of 70 betting offices island wide of which 58 accepted bets on overseas racing. Together, TPP, Champion Betting Company Limited and Markham Betting Company Limited generated sales of \$1.3 billion or 68.5% of bookmaker's sales during the period under review.

**TABLE 3**  
**BOOKMAKERS SALES LOCAL & OVERSEAS**  
**FISCAL YEAR APRIL 2004 - MARCH 2005**

BOOKMAKERS	LOCAL RACING		OVERSEAS RACING	
	SALES \$	NO. OF BETTING OFFICES OPERATED	SALES \$	NO. OF BETTING OFFICES OPERATED
BIG "A" TRACK 2003 LIMITED	36,680,728	28	N/A	N/A
CAPITAL BETTING & WAGERING LIMITED	113,991,489	63	N/A	N/A
CARIBBEAN TURF SERVICE LIMITED	90,903,362	24	N/A	N/A
CHAMPION BETTING COMPANY LIMITED	196,285,725	54	179,732,913	29
CHARLES OFF BETTING LIMITED	43,119,082	44	10,073,777	4
IDEAL BETTING COMPANY LIMITED	50,213,727	25	52,475,064	18
MARKHAM BETTING COMPANY LIMITED	152,002,951	36	94,275,589	23
POST TO POST BETTING LIMITED	35,634,520	28	N/A	N/A
SUMMIT BETTING COMPANY LIMITED	55,521,065	39	88,034,302	24
TOTAL BETTING LIMITED	16,875,883	21	N/A	N/A
TRACK PRICE PLUS LIMITED	304,905,125	70	378,171,421	58
WESTERN TRACK LIMITED	5,427,913	13	N/A	N/A
<b>TOTAL</b>	<b>1,101,561,570</b>	<b>445</b>	<b>802,763,066</b>	<b>156</b>

## CHAPTER TWO – BETTING SECTOR

**Table 4** provides a comparison between the sales generated by individual bookmakers in local and overseas races between the financial year ended 2004 and that ended 2005.

Sales on local races by the 11 bookmakers that operated for all 12 months saw five reporting increased sales, with Champion Betting Company Limited achieving the largest increase of 48.65% as sales moved from \$132.04 million in 2004 to \$196.29 million during the year under review. At the same time two other bookmakers, Markham Betting Company Limited and Track Price Plus Limited experienced increases over the previous year's performance of 25.66% and 15.38%, respectively. On the converse, Total Betting Limited reported the largest decline in this betting mode of 7.46%.

Sales on overseas races saw four of the six bookmakers accepting bets on this betting mode reporting increased sales. Champion Betting Company Limited accounted for the largest increase of 23.96% when compared to the previous year as sales progressed from \$144.99 million in 2004 to \$179.73 million over the review period. Charles Off Betting Company Limited experienced the largest decline of 34.51% as sales plunged from \$15.38 million in 2004 to \$10.07 million over the review period. This significant fall may be attributed mainly to the effects of Hurricane Ivan that severely affected areas of the island in which the majority of the company's betting offices were located.

It should also be noted that over the review period, Post to Post Betting Limited discontinued the sale of bets on overseas racing; Western Track Limited ceased operations in October 2004, and the number of betting offices accepting bets on local and overseas races fell from 521 to 445 (local) and 172 to 156 (overseas).

An indication of the growing importance of overseas racing to the Betting sector is that this mode generated greater sales than local racing for three of the six bookmakers and average sales of \$5.15 million per licensed betting office, compared to \$2.46 million for local racing.

**TABLE 4**  
**BOOKMAKERS' COMPARATIVE SALES**  
**FISCAL YEAR ENDED MARCH 2004 AND MARCH 2005**

BOOKMAKERS	LOCAL 2004	LOCAL 2005	% CHANGE	OVERSEAS 2004	OVERSEAS 2005	% CHANGE
BIG 'A' TRACK (2003) LIMITED	36,411,279	36,680,728	0.74%	N/A	N/A	N/A
CAPITAL BETTING & WAGERING LIMITED	123,021,610	113,991,489	-7.34%	N/A	N/A	N/A
CARIBBEAN TURF SERVICE LIMITED	85,141,885	90,903,362	6.77%	N/A	N/A	N/A
CHAMPION BETTING COMPANY LIMITED	132,043,028	196,285,725	48.65%	144,991,213	179,732,913	23.96%
CHARLES OFF BETTING LIMITED	43,334,243	43,119,082	-0.50%	15,381,577	10,073,777	-34.51%
CORNWALL BETTING SERVICES LIMITED	27,332,302	N/A		N/A	N/A	N/A
FOLLY'S BETTING (1963) LIMITED	10,839,416	N/A		N/A	N/A	N/A
GOLDEN HORSE BETTING LIMITED	29,771,526	N/A		N/A	N/A	
IDEAL BETTING COMPANY LIMITED	54,141,340	50,213,727	-7.25%	58,780,600	52,475,064	-10.73%
MARKHAM BETTING COMPANY LIMITED	120,967,130	152,002,951	25.66%	90,239,849	94,275,589	4.47%
POST TO POST BETTING LIMITED	35,844,783	35,634,520	-0.59%	5,502,789	N/A	N/A
SUMMIT BETTING COMPANY LIMITED	58,625,876	55,521,065	-5.30%	80,634,714	88,034,302	9.18%
TOTAL BETTING LIMITED	18,236,034	16,875,883	-7.46%	N/A	N/A	N/A
TRACK PRICE PLUS LIMITED	264,270,016	304,905,125	15.38%	363,953,207	378,171,421	3.91%
WESTERN TRACK LIMITED	12,891,383	5,427,913	-57.90%	N/A	N/A	N/A
<b>TOTAL</b>	<b>1,052,871,851</b>	<b>1,101,561,570</b>	<b>4.62%</b>	<b>759,483,949</b>	<b>802,763,066</b>	<b>5.70%</b>

## CHAPTER TWO – BETTING SECTOR

### 2.4 Profitability

**Table 5** shows the gross profit on the reported sales of individual bookmakers for the financial year 2004/2005. Combined sales of \$1.90 billion and payouts of \$1.27 billion resulted in an overall gross profit of \$639.01 million or 33.56% of sales. Additional information gleaned from **Table 5** indicates that average payouts of 65% of sales for the sector increased to 66.44% over the period under review.

Individually, Track Price Plus Limited had the highest payouts as a percentage of sales of 68.42% followed by Ideal Betting Company Limited at 67.77%. Payouts by Champion Betting Company Limited at 66.60% represented the average payout ratio of the sector. Post to Post Betting Company Limited had the lowest payouts as a percentage of sales of 59.93%

**TABLE 5**  
**INDIVIDUAL BOOKMAKERS GROSS PROFIT**  
**FISCAL YEAR APRIL 2004 - MARCH 2005**

BOOKMAKERS	SALES	PAYOUTS	PAYOUT AS A % OF SALES	GROSS PROFIT	GROSS PROFIT AS % OF SALES
BIG "A" TRACK 2003 LIMITED	36,680,728	22,904,438	62.44%	13,776,290	37.56%
CAPITAL BETTING & WAGERING LIMITED	113,991,489	73,152,022	64.17%	40,839,467	35.83%
CARIBBEAN TURF SERVICE LIMITED	90,903,362	56,924,194	62.62%	33,979,168	37.38%
CHAMPION BETTING COMPANY LIMITED	376,018,638	250,425,800	66.60%	125,592,838	33.40%
CHARLES OFF BETTING LIMITED	53,192,859	33,972,824	63.87%	19,220,035	36.13%
IDEAL BETTING COMPANY LIMITED	102,688,791	69,700,295	67.88%	32,988,496	32.12%
MARKHAM BETTING COMPANY LIMITED	246,278,540	163,266,237	66.29%	83,012,303	33.71%
POST TO POST BETTING LIMITED	35,634,520	21,354,267	59.93%	14,280,253	40.07%
SUMMIT BETTING COMPANY LIMITED	143,555,367	92,397,172	64.36%	51,158,195	35.64%
TOTAL BETTING LIMITED	16,875,883	10,382,704	61.52%	6,493,179	38.48%
TRACK PRICE PLUS LIMITED	683,076,546	467,362,495	68.42%	215,714,051	31.58%
WESTERN TRACK LIMITED	5,427,913	3,471,317	63.95%	1,956,596	36.05%
<b>TOTAL</b>	<b>1,904,324,636</b>	<b>1,265,313,765</b>	<b>66.44%</b>	<b>639,010,871</b>	<b>33.56%</b>

**Table 6** shows the average sales, payouts and gross profits of individual bookmakers for the 445 betting offices that operated for the review period. Bookmakers recorded average sales of \$4.28 million and an average gross profit of \$1.44 million per licensed betting office. The average of \$1.44 million gross profit generated in the licensed betting offices was 14.3% above the average earned in 2004, which had recovered a 7% increase in 2003. This reflects continued improvement in efficiency. The improvement in efficiency was primarily the result of continued closure of non-performing betting offices, which constitute a drain on those that are performing.

**TABLE 6**  
**INDIVIDUAL BOOKMAKERS AVERAGE**  
**SALES, PAYOUTS & GROSS PROFIT**  
**FISCAL YEAR APRIL 2004 - MARCH 2005**

BOOKMAKERS	BETTING OFFICES	TOTAL SALES	AVERAGE SALES	TOTAL PAYOUTS	AVERAGE PAYOUTS	GROSS PROFIT	AVERAGE GROSS PROFIT
BIG "A" TRACK (2003) LIMITED	28	36,680,728	1,310,026	22,904,438	818,016	13,776,290	492,010
CAPITAL BETTING & WAGERING LIMITED	63	113,991,489	1,809,389	73,152,022	1,161,143	40,839,467	648,246
CARIBBEAN TURF SERVICE LIMITED	24	90,903,362	3,787,640	56,924,194	2,371,841	33,979,168	1,415,799
CHAMPION BETTING COMPANY LIMITED	54	376,018,638	6,963,308	250,425,800	4,637,515	125,592,838	2,325,793
CHARLES OFF BETTING LIMITED	44	53,192,859	1,208,929	33,972,824	772,110	19,220,035	436,819
IDEAL BETTING COMPANY LIMITED	25	102,688,791	4,107,552	69,700,295	2,788,012	32,988,496	1,319,540
MARKHAM BETTING COMPANY LIMITED	36	246,278,540	6,841,071	163,266,237	4,535,173	83,012,303	2,305,897
POST TO POST BETTING LIMITED	28	35,634,520	1,272,661	21,354,267	762,652	14,280,253	510,009
SUMMIT BETTING COMPANY LIMITED	39	143,555,367	3,680,907	92,397,172	2,369,158	51,158,195	1,311,749
TOTAL BETTING LIMITED	21	16,875,883	803,613	10,382,704	494,414	6,493,179	309,199
TRACK PRICE PLUS LIMITED	70	683,076,546	9,758,236	467,362,495	6,676,607	215,714,051	3,081,629
WESTERN TRACK LIMITED	13	5,427,913	417,532	3,471,317	267,024	1,956,596	150,507
<b>TOTAL</b>	<b>445</b>	<b>1,904,324,636</b>	<b>4,279,381</b>	<b>1,265,313,765</b>	<b>2,843,402</b>	<b>639,010,871</b>	<b>1,435,979</b>

## CHAPTER TWO – BETTING SECTOR

It is also the result of increased use of technology in the sector, reflected in an increase in computerized betting offices from 143 in 2003, to 173 in 2004, to 181 in 2005 (**Table 6B**).

The average gross profit earned by individual bookmakers ranged from a low of \$309,199 earned by Total Betting Limited from its 21 betting offices to a high of \$3.08 million earned by Track Price Plus Limited from its 70 betting offices. As in the previous year, the gross profit of six bookmakers was less than half the average earned in the sector, that of two was about average, and that of the remaining three was significantly above average.

**Table 6A** below gives comparative data on bookmakers' payouts and payout ratios between fiscal 2004 and 2005. The change in payout ratios during the period ranged from a low of -1.9% for Post to Post Betting to a high of 8.19% for Total Betting. There was an average increase in payout ratio by 4.29% by the group. While an increase in the payout ratio was accompanied by increased sales for five bookmakers, and a reduction in the payout ratio was accompanied by reduced sales for three, it is unclear as to whether there is a direct relationship between payout ratios and sales performance in bookmaking, since an increase in payout ratio for two bookmakers was accompanied by reduced sales.

**Table 6A**  
**INDIVIDUAL BOOKMAKERS COMPARATIVE SALES PERFORMANCE & PAYOUT RATIOS**  
Fiscal Years 2003/04 & 2004/05

BOOKMAKERS	Sales 2004 \$'000	Payout 2004 \$'000	Payout %	Sales 2005 \$'000	Payout 2005 \$'000	Payout %	Change in Sales %	Change in Payout %
Big A Track (2003) Ltd.	36,411	23,021	63.2%	36,681	22,904	62.4%	0.7%	-1.2%
Capital Betting & Wagering Ltd.	123,022	77,688	63.2%	113,991	73,152	64.2%	-7.3%	1.6%
Caribbean Turf Service Ltd.	85,142	52,063	61.2%	90,903	56,924	62.6%	6.8%	2.4%
Champion Betting Company Ltd.	277,034	176,259	63.6%	376,019	250,426	66.6%	35.7%	4.7%
Charles Off Betting Ltd.	58,716	37,607	64.1%	53,193	33,973	63.9%	-9.4%	-0.3%
Ideal Betting Company Ltd.	112,922	71,672	63.5%	102,689	69,700	67.9%	-9.1%	6.9%
Markham Betting Company Ltd.	211,207	135,122	64.0%	246,279	163,266	66.3%	16.6%	3.6%
Post to Post Betting Ltd.	41,348	25,258	61.1%	35,635	21,354	59.9%	-13.8%	-1.9%
Summit Betting Company Ltd.	139,261	87,401	62.8%	143,555	92,397	64.4%	308.0%	2.6%
Total Betting Ltd.	18,236	10,371	56.9%	16,876	10,383	61.5%	-7.5%	8.2%
Track Price Plus Ltd.	628,223	406,822	64.8%	683,077	467,362	68.4%	8.7%	5.7%
<b>TOTAL/ AVERAGE</b>	<b>1,731,521</b>	<b>1,103,283</b>	<b>63.7%</b>	<b>1,898,897</b>	<b>1,261,842</b>	<b>66.5%</b>	<b>9.7%</b>	<b>4.3%</b>

### 2.5 Computerization

The Commission has mandated the bookmakers to computerize their betting offices by March 31, 2006 when it is anticipated that a gross profits tax regime would have replaced the levy scheme, and five year licences would be granted to bookmakers who qualify. Computerization will enhance efficiency in both operations and monitoring.

**Table 6B** gives the number of betting offices that have been computerized since 2002. Of the remaining 11 bookmakers, Charles Off Betting Limited and Total Betting Company Limited have yet to commence computerization, while in percentage terms Champion, Ideal, Markham, and Track Price Plus have introduced computerized operations in 59, 64, 72 and 91, respectively, of their betting offices. Overall, 41% of all betting shops operated by bookmakers are computerized.

**TABLE 6B**  
**INDIVIDUAL BOOKMAKERS COMPUTERIZATION RATE**  
**2004/05**

<b>BOOKMAKERS</b>	<b># of Shops Operated to the end of financial year 2004- 2005</b>	<b># of Shops Computerised to the end of financial year 2004-2005</b>	<b>% of Shops Computeris ed 2004/05</b>	<b># of Shops Computerised to the end of financial year 2003-2004</b>	<b># of Shops Computerised to the end of financial year 2002-2003</b>	<b># of Overseas Shops Operated to the end of financial year 2004-2005</b>
BIG 'A' TRACK (2003) LTD.	28	0	0	0	0	0
CAPITAL BETTING & WAG. LTD.	63	13	21	16	8	0
<i>CARIBBEAN TURF SERVICES LTD.</i>	24	10	42	6	3	0
CHAMPION BETTING CO. LTD.	54	32	59	31	21	34
CHARLES OFF BETTING LTD.	44	0	0	0	0	4
IDEAL BETTING COMPANY LTD.	25	16	64	16	18	15
MARKHAM BETTING CO. LTD.	36	26	72	26	23	24
POST TO POST BETTING CO. LTD.	28	5	18	6	5	0
SUMMIT BETTING CO. LTD.	39	15	38	12	7	24
TOTAL BETTING COMPANY LTD.	21	0	0	0	0	0
TRACK PRICE PLUS LTD.	70	64	91	60	58	59
WESTERN TRACK LTD. <i>(Operated to the end of October 2004)</i>	13	0	0	0	0	0
<b>TOTAL</b>	<b>445</b>	<b>181</b>	<b>41</b>	<b>173</b>	<b>143</b>	<b>160</b>

## 2.6 Government Revenue

Taxes, duties and levies paid and payable over the review period are shown in **Table 7**. Of the \$420.73 million payable by licensees, \$258.90 million was paid. Bookmakers paid a total of \$206.55 million of the \$209.16 million payable while of the \$211.57 million payable by the Promoter, \$52.35 million was paid.

**TABLE 7**  
**LEVIES & DUTIES PAYABLE AND PAID**  
**FISCAL YEAR APRIL 2004 - MARCH 2005**

<b>BETTING MODE</b>	<b>TAXES, DUTIES &amp; LEVIES</b>	<b>PAYABLE</b>	<b>PAID TO DATE</b>
<b>BOOKMAKERS</b>			
<b>LOCAL RACING</b>	11 % LEVY ON SALES	121,171,773	118,362,374
	\$ 80 SPECIFIC LEVY	72,640	73,040
	<b>TOTAL</b>	<b>121,244,413</b>	<b>118,435,414</b>
<b>OVERSEAS RACING</b>	11 % LEVY ON SALES	87,031,672	87,145,436
	OTHER EVENT- BET-WINNINGS TAX	886,947	968,480
	<b>TOTAL</b>	<b>87,918,619</b>	<b>88,113,916</b>
<b>TOTAL FOR BOOKMAKERS</b>		<b>209,163,032</b>	<b>206,549,330</b>
<b>RACING PROMOTER</b>			
<b>LOCAL RACING</b>	7% POOL BETTING DUTY	115,519,825	39,766,588
<b>SIMULCAST RACING</b>	7% POOL BETTING DUTY	96,044,776	12,583,435
	<b>TOTAL</b>	<b>211,564,601</b>	<b>52,350,023</b>
<b>TOTAL FOR ALL MODES</b>		<b>420,727,633</b>	<b>258,899,353</b>

Bookmakers paid just over \$118.44 million of the \$121.24 million payable on local races while \$88.11 million was paid on sales from overseas races, which was \$195,297 in excess of the amount payable, as amounts due in the previous year were paid during the review period.

The failure by the Racing Promoter to fully meet its tax obligation over the review period is cause for concern, especially in light of the fact that the Commission is constrained in its ability to enforce such payments because the company is in the public sector.

Bookmakers generally continue to meet tax obligations, although there was a marginal decline over the previous year when actual payment was slightly above what was due for that year.

### **2.7 First Instance Tribunal (FIT)**

The FIT completed seven hearings for the year and penalties totalling \$2.62 million were imposed on one bookmaker, Track Price Plus Limited, for charges pertaining to the late submission of receipts and the use of unlicensed premises for betting purposes.

Additionally, as was reported previously, Track Price Plus Limited, Markham Betting Company, Champion and to a lesser extent Capital Betting & Wagering Limited have been charged for repeated breaches of Section 22(i) of the Betting, Gaming and Lotteries Act which prohibits operations beyond the prescribed opening hours. These matters are on going and, it is hoped, will be settled during the course of next financial year. It is also anticipated that additional charges brought against Capital Betting & Wagering and Big 'A' Track 2003 Limited for illegal betting and non-submission of receipts and returns, will also be completed during the next fiscal period.

**Table 8** provides a listing of the completed hearings over the review period.

**TABLE 8**  
**COMPLETED TRIBUNAL HEARINGS**  
**APRIL 2004 - MARCH 2005**

<b>DATE OF DECISION</b>	<b>NAME OF LICENCEE</b>	<b>CHARGES</b>	<b>NO. OF CHARGES</b>	<b>PENALTIES IMPOSED \$</b>
May 25, 2004	Track Price Plus Limited	Late submission of receipts	8	280,000
June 15, 2004	Track Price Plus Limited	Late submission of receipts	10	550,000
November 16, 2004	Track Price Plus Limited	Operating without a licence	1	100,000
February 8, 2005	Track Price Plus Limited	Late submission of receipts	13	650,000
February 8, 2005	Track Price Plus Limited	Use of un-licensed premises	1	75,000
February 28, 2005	Track Price Plus Limited	Late submission of receipts	14	540,000
March 22, 2005	Track Price Plus Limited	Late submission of receipts	7	420,000
<b>TOTAL</b>				<b>2,615,000</b>

A total of four appeals against the decisions of the First Instance Tribunal were lodged by Track Price Plus Limited during the period under review. The appeals are expected to be heard shortly by the members of the Commission.

## 2.8 Conclusion

The size of the betting sector increased by 6% in nominal terms during the period under review, a positive development when viewed against the lacklustre performance previously recorded.

The most important development, however, has been the initiative that continues to be taken by the bookmakers to improve efficiency by closing unprofitable betting offices and increasing the use of technology in the betting process. It is also noted that the sector is in a process of rationalization and consolidation, resulting in some bookmakers ceasing to operate while others are expanding their operations.

The sector faces several challenges that must be addressed before stability can be achieved. Among these challenges is the need for bookmakers to accelerate the rationalization of betting offices and to increase the use of computer technology; to cease and desist from committing breaches of the Betting, Gaming and Lotteries Act, thereby eliminating the cost of doing so; and to upgrade betting offices where feasible to attract an increasingly discerning public. Passage of the urgently needed amendments to the Betting, Gaming and Lotteries Act will also act as a fillip to the sector, particularly as it relates to investment and modernization.



## CHAPTER THREE

### LOTTERIES SECTOR

---

#### 3.1 Introduction

During the period under review, the lottery sector grew by 6% to a total of \$13.2 billion and therefore recaptured sales in the 2002/03 period. The Lotto game was the major contributor to this recovery, having increased sales by \$583 million or 53%. The popular Cashpot game grew by less than 2% and declined in its contribution to the sector from 80% to 77 per cent. The period also saw the consolidation of the sector when Supreme Ventures Limited (SVL) acquired Jamaica Lottery Company Limited (JLC) and Jamaica Lottery Company Holdings Limited (JLCH) in December 2004, and commenced management of the games in March 2005.

#### 3.2 Lottery Sales

Lottery sales during the period under review totalled \$13.2 billion or 6.1% over the sales recorded for the 2003/04 fiscal year. Sales were generated from a total of 771 Cashpot draws, 598 Dollaz, 482 Pick 3, 298 Lucky 5 and 101 Lotto draws.

The increase in sales was achieved despite the effects of Hurricane Ivan in the third quarter of the review period and can be attributed in part to a 50% increase in Lotto ticket prices in March 2004, increased prizes, and rebranding of the game. **Table 3** compares the sales for the various games for the 2003/04 and 2004/05 fiscal years, whilst **Figures I & II** depicts the contribution of each game to total sales and the sales trend, respectively.

##### Cashpot

For the period under review, the Cashpot game realized sales of \$10.1 billion a 1.89 % increase over the similar period of the previous fiscal year, whilst contributing 76.7% to the total industry sales. While the Cashpot game remains the most popular lottery game, indications are that it is maturing and that its relative contribution to the lottery sector will continue to decline.

##### Lotto

Sales generated for the fiscal year increased significantly to \$1.69 billion, an increase of 52.5% when compared to the sales for the same period last fiscal year. The increased sales were due primarily to increased ticket prices and prizes and also to several high jackpots, ranging from \$46 million to \$150 million.

##### Pick 3

During the review period sales increased by 9.08% compared to the 2003/04 fiscal period. This fiscal year's total of \$683.9 is the highest reported sales since the commencement of the game in 1997/1998 and is the only lottery game that has recorded a steady increase in sales since its inception.

## CHAPTER THREE – LOTTERIES SECTOR

### Lucky 5

Sales for the Lucky 5 game decreased by 8.51% when compared to the previous fiscal year, with a total of \$455.4 million in sales being realized.

### Dollaz

The Dollaz game generated sales of \$209.1 million, a decrease of 12.5% when compared to similar period the previous year.

### Instant (“Scratchers”)

During the last quarter of the fiscal year, Supreme Ventures Limited reintroduced the Scratchers Game encompassing several variations designed to recapture interest in the game.

**TABLE 3**  
**COMPARATIVE LOTTERY SALES**  
**FISCAL Y/E 2005 v 2004**

GAMES	TOTAL FISCAL Y/E 2005	TOTAL FISCAL Y/E 2004	% Change
Cashpot	10,141,012,040	9,952,845,220	1.89%
Lucky 5	455,446,380	497,815,140	-8.51%
Dollaz	209,100,710	239,147,710	-12.56%
Lotto	1,694,294,610	1,110,822,020	52.53%
Pick 3	683,889,870	626,967,163	9.08%
Scratchers	28,111,500	28,266,380	-0.55%
<b>TOTAL</b>	<b>13,211,855,110</b>	<b>12,455,863,633</b>	<b>6.07%</b>

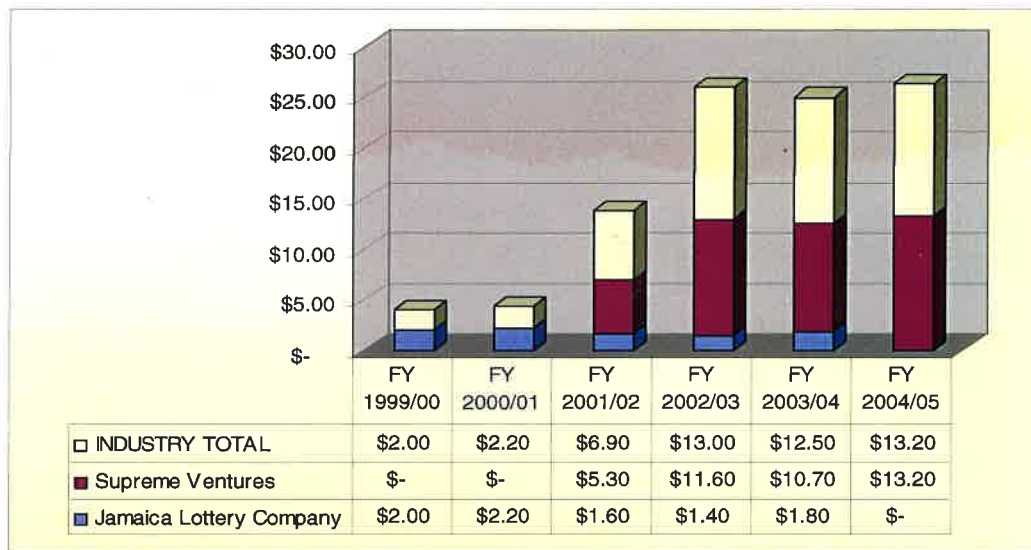
**FIGURE I**  
**SHARE OF LOTTERY SALES BY GAME**



## CHAPTER THREE – LOTTERIES SECTOR

**FIGURE II**  
**LOTTERY SALES TREND**  
**FISCAL Y/E 2000 – 2005**

\$'billion



*Note: Supreme Ventures purchased the shares of Jamaica Lottery Company on December 18, 2004 and commenced management of JLC's gaming products in March 2004.*

### 3.3 Lottery Payout

Total prize liability recorded for the fiscal year was \$8.76 billion or 66.31% of total sales, 2.59% less than the projected liability of 68.90%. Payout from the Lotto game was 9% less than the projected payout of 52%. **Table 4** compares sales against actual and projected payout.

**TABLE 4**  
**LOTTERY PRIZE LIABILITY**  
**FISCAL Y/E 2005**

GAMES	SALES REVENUE Y/E 2005	PAYOUT Y/E 2005	LIABILITY	PROJECTED LIABILITY
	\$	\$	%	%
Cashpot	10,141,012,040	7,263,285,380	71.62%	72.00%
Lucky 5	455,446,380	231,654,911	50.86%	50.90%
Keno	209,100,710	110,134,330	52.67%	54.80%
Lotto	1,694,294,610	723,141,926	42.68%	52.00%
Pick 3	683,889,870	416,909,000	60.96%	60.00%
Scratchers	28,111,500	16,665,390	59.28%	
<b>TOTAL</b>	<b>13,211,855,110</b>	<b>8,761,790,937</b>	<b>66.31%</b>	<b>68.90%</b>

## CHAPTER THREE – LOTTERIES SECTOR

The lottery payout ratio during the period under review was 68.9% or 1.5% less than the previous year, which recorded 70.4 per cent. The major reductions in payout ratios were in the Lotto and Cashpot games that had previously recorded payouts of 46.1% and 74.9%, respectively.

The structure of the distribution of prize liability was revised in March, whereby all prizes after being unclaimed for a period of 90 days are evenly distributed between Supreme Ventures Limited and CHASE Fund. The exception is the Instant game, whereby unclaimed prizes are retained by the company.

### 3.4 Public Sector Revenue

For the review period, total public sector revenue from the lottery sector decreased by almost 2%, moving from \$1.7 million in the 2003/04 fiscal year to \$1.67 million in the review period. Revenue to CHASE and BGLC recorded increases of 5.45% and 6.07%, respectively, whilst revenue to the Inland Revenue declined by 7.62%. **Table 5** below provides a comparative analysis of revenue to the Public Sector over three fiscal years.

**TABLE 5**

	PUBLIC SECTOR REVENUE FYE 2003-2004			Variance
	2004/05	2003/04	2003/02	2004/05 - 2003/04
Inland Revenue	898,464,758	972,602,109	708,805,755	-7.62%
CHASE	639,198,697	606,178,586	587,890,388	5.45%
BG&LC	132,118,551	124,558,635	129,694,893	6.07%
<b>TOTAL</b>	<b>1,669,782,006</b>	<b>1,703,339,330</b>	<b>1,426,391,036</b>	<b>-1.97%</b>

### 3.5 Government Revenue

For the fiscal year 2004/05 there was a decline of 7.6% in government lottery revenue from \$972.60 million during the previous year to \$898.46. However, this was \$89 million above revenues generated during fiscal 2002/03. A total of \$784.40 million was generated from the levy on gross profit, reflecting a 17.17% increase over the previous year. The Bet Win Tax (BWT) totalled \$114.06 million, a significant decline of 62.38% over the amount realized from winnings for the previous year. This decline was anticipated as the tax became applicable to winnings per ticket of \$15,000 and above rather than on all winning tickets.

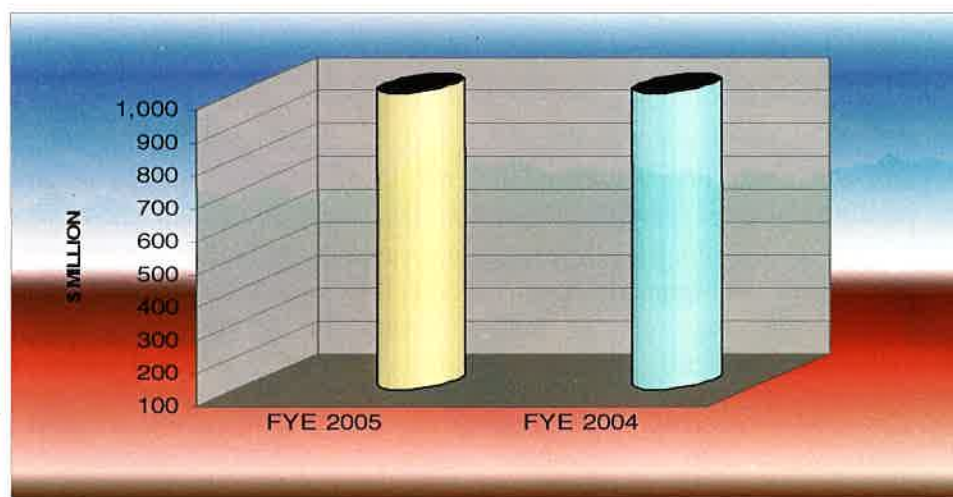
## CHAPTER THREE – LOTTERIES SECTOR

Table 6 and Figure III gives details of levy collections from the individual games as well as from the Bet-winnings tax.

**TABLE 6**  
**GOVERNMENT LEVY PAYABLE**  
**FISCAL Y/E 2005 v 2004**

GAMES	SALES REVENUE Y/E 2005	SALES REVENUE Y/E 2004	% Change
	\$	\$	
Cashpot	489,213,531	424,255,979	15.31%
Lucky 5	38,044,549	41,527,477	-8.39%
Keno	22,762,267	25,664,919	-11.31%
Lotto	187,050,125	137,754,619	35.79%
Pick 3	45,386,749	38,168,446	18.91%
Scratchers	1,945,839	2,073,221	-6.14%
<b>Total</b>	<b>784,403,060</b>	<b>669,444,661</b>	<b>17.17%</b>
<b>BWT</b>	<b>114,061,698</b>	<b>303,157,448</b>	<b>-62.38%</b>
<b>TOTAL</b>	<b>898,464,758</b>	<b>972,602,109</b>	<b>-7.62%</b>

**FIGURE III**  
**COMPARATIVE LEVY PAYABLE**  
**FISCAL Y/E 2005 vs 2004**



### 3.6 CHASE Contributions

Contributions made to the CHASE Fund increased by 15.3% to \$698.90 million for the fiscal year ending 2005, when compared to the previous period of 2004 (Table 7 and Figure IV). The amount contributed from sales totalled \$639.19 million, whilst the amounts contributed from unclaimed prizes totalled \$59.70 million.

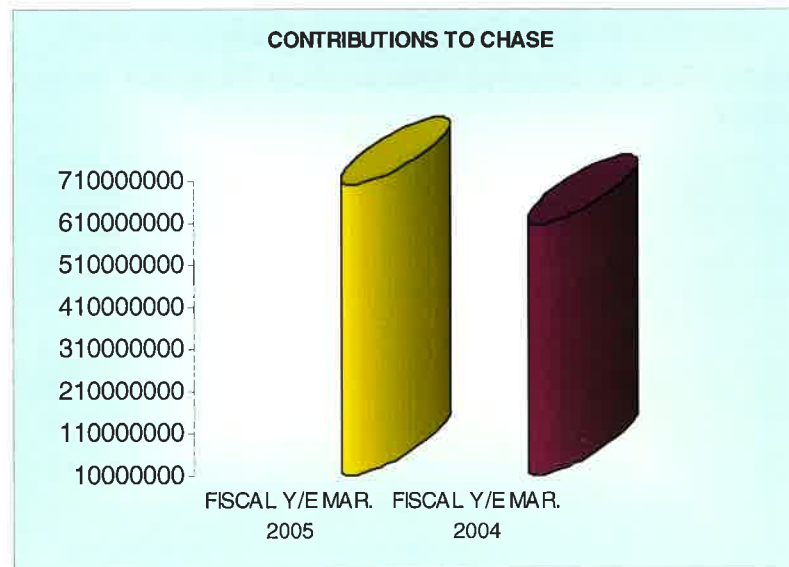
## CHAPTER THREE – LOTTERIES SECTOR

**TABLE 7**  
**CONTRIBUTION TO THE CHASE FUND**

GAMES	FISCAL Y/E MARCH 2005			FISCAL Y/E MARCH 2004			%
	From Sales	From UC Prizes	Total	From Sales	From UC Prizes	Total	
	Cashpot	431,659,000	20,466,515	452,125,515	374,343,511	15,504,047	
Lucky 5	34,158,479	9,741,675	43,900,154	37,336,137	7,707,164	45,043,301	-2.5%
Keno	15,682,553	6,506,190	22,188,743	17,936,079	4,909,661	22,845,740	-2.9%
Lotto	127,072,096	18,223,264	145,295,360	83,311,653	31,088,076	114,399,729	27.0%
Pick 3	28,518,207	4,769,110	33,287,317	26,144,530	5,777,750	31,922,280	4.3%
Scratchers	2,108,363	-	2,108,363	2,119,979	-	2,119,979	-0.5%
<b>TOTAL</b>	<b>639,198,697</b>	<b>59,706,754</b>	<b>698,905,452</b>	<b>541,191,888</b>	<b>64,986,698</b>	<b>606,178,586</b>	<b>15.3%</b>

When prizes are unclaimed within 90 days for all the game types (excluding Scratchers), the proceeds are shared equally between the lottery company and CHASE.

**FIGURE IV**  
**COMPARATIVE CONTRIBUTIONS PAYABLE**  
**FISCAL Y/E 2005 vs 2004**



The percentage distribution legislated to each recipient: Culture and Arts 15%, Health 20%, Sports Development 40%, Early Childhood Education 25%.

## CHAPTER THREE – LOTTERIES SECTOR

### 3.7 BGLC Lottery Revenue

During the fiscal the Commission received a total of \$132 million, 6.07% more than that of the previous year. The contribution from each game is shown in **Table 8 below**.

The Commission's revenue from the Cashpot, Lotto and Pick 3 games increased, whilst revenue from the Lucky 5, Keno and Scratchers games decreased. In keeping with its relative contribution to the sector, the Cashpot game accounted for almost 77% of lottery revenue to the Commission.

**TABLE 8**  
**BGLC 1% FEE PAYABLE BY GAME**

GAMES	TOTAL FISCAL Y/E 2005	TOTAL FISCAL Y/E 2004	% Change
	\$	\$	
Cashpot	101,410,120	99,528,452	1.89%
Lucky 5	4,554,464	4,978,152	-8.51%
Keno	2,091,007	2,391,476	-12.56%
Lotto	16,942,946	11,108,221	52.53%
Pick 3	6,838,899	6,269,670	9.08%
Scratchers	281,115	282,664	-0.55%
<b>TOTAL</b>	<b>132,118,551</b>	<b>124,558,635</b>	<b>6.07%</b>

The Commission derives 82.3% of its operating revenues from the lottery sector, 59% of which is from from the Cashpot game alone.

## CHAPTER FOUR

### GAMING MACHINES SECTOR

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#### 4.1 Introduction

The gaming machines sector continued on a path of significant differentiation. A number of gaming lounges have upgraded their facilities and introduced modern gaming machines, accompanied by refreshments and entertainment. The largest numbers of machines, however, are still those that are assembled locally and are located in over 300 premises throughout the country.

#### 4.2 Gaming Machines

The process of regularizing the gaming machines sector has been completed in large measure. In comparison with 186, 1864, and 3241 that were licensed in fiscal years ending 2002, 2003, and 2004, respectively, 3250 were licensed in the year under review. The gaming machines are, however, distributed among a smaller number of premises, from 441 in the previous year to 331 in the year under review. Some operators are therefore expanding their business while others are making an exit.

Some of these operators are expanding their operations into 'gaming lounges'. These lounges combine gaming, other forms of entertainment, and dining in an attractive atmosphere. They are introducing modern gaming machines, with attractive games and relatively high payout ratios to attract the customers. These gaming lounges are located in Kingston and the tourist resort areas of Montego Bay, Negril and Ocho Rios. Their clientele, however, are primarily middle- and upper income Jamaicans.

These new developments in gaming, along with Government's intention to review the tax regime for gaming, have posed challenges that the Commission is addressing. Among these challenges are: ensuring that the requisite tax is paid; player protection; problem gaming, and detecting money laundering activities.

Concerning the impending tax reform in which a gross profits tax is intended to be introduced for gaming lounges, the Commission has secured technical training for staff to monitor the machines and verify the revenue data to ensure that the requisite tax is paid. The Commission will also introduce a remote monitoring system that will facilitate both on-site and remote monitoring of these machines.

Regarding player protection, amendments to the BGLA have been proposed to require a minimum payout percentage. When the amendments come into effect the Commission will be ready to enforce this requirement.

With regard to problem gaming, the Commission is in discussion with a professional organization towards developing a programme to provide detection, counselling and other forms of support in combating this problem.

In connection with detection of money laundering, the Commission has familiarized itself with the Forty Recommendations of the Caribbean Financial Task Force (CFATF) and the Financial Action Task Force Special Recommendation on the Financing of Terrorism, and is seeking to secure specialized detection training.



## **CHAPTER FOUR – GAMING MACHINES SECTOR**

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The Commission has developed a close working relationship with gaming jurisdictions in North America, the UK, and the Caribbean (notably, The Bahamas, US Virgin Islands and Puerto Rico), and has developed relations with South Africa, whose gaming experience bears striking similarities with Jamaica's. The Commission is an active member of International Association of Gaming Regulators Association (IAGRA) and is a founding member of Caribbean Latin America Gaming Regulators Association (CALAGRA). These relationships have allowed the Commission to leverage the experience and expertise of colleague organizations and jurisdictions in order deepen the regulatory process in Jamaica. Among the agreements concluded with the jurisdictions are the sharing of information and the use of a Multi-Jurisdictional Personal Disclosure Form as one of the tools in conducting due diligence investigations.

## CHAPTER FIVE

### PRIZE COMPETITION

#### 5.1 Prize Competition

Prize competitions continued to be a major marketing tool, especially among companies engaged in mass consumption goods and services. During the fiscal year the Commission continued its close scrutiny of prize competitions, with the processing of applications and their monitoring. A total of 388 applications for the conduct of prize competitions were received by the Commission, 54 more than that received from the previous fiscal year. Of the total applications received 252 were approved, 39 were not approved and 97 were either postponed, withdrawn, did not require approval from the Commission, or were still being processed at the end of the fiscal period.

Compared to the fiscal year ending March 2004, the above results reflect increases of 16.5% and 8.6% in the number of applications received and approved, respectively. The data is summarized in **Table 2** below.

**Table 2**  
**Summary of Prize Competition for fiscal year ending 2005**

MONTH	RECEIVED			APPROVED			NOT APPROVED			OTHER		
	2004/05	2003/04	Variance	2004/05	2003/04	Variance	2004/05	2003/04	Variance	2004/05	2003/04	Variance
April	27	25	8.0%	14	21	-33.3%	6	1	100.0%	7	3	133.3%
May	36	27	33.3%	26	20	30.0%	4	4	100.0%	6	3	100.0%
June	48	27	77.8%	30	22	36.4%	3	3	0.0%	15	2	100.0%
July	43	34	26.5%	34	20	70.0%	4	2	100.0%	5	12	-58.3%
August	29	26	11.5%	15	16	-6.3%	3	4	N/A	11	6	83.3%
September	13	31	-58.1%	8	21	-61.9%	3	1	100.0%	2	9	-77.8%
October	32	42	-23.8%	19	31	-38.7%	3	5	100.0%	10	6	66.7%
November	42	26	61.5%	30	18	66.7%	2	2	N/A	10	6	66.7%
December	21	9	133.3%	16	8	100.0%	0	0	0.0%	5	1	400.0%
January	30	20	50.0%	19	15	26.7%	3	3	0.0%	8	2	300.0%
February	31	23	34.8%	18	19	-5.3%	4	0	0.0%	9	4	125.0%
March	36	44	-18.2%	23	31	-25.8%	4	2	N/A	9	11	-18.2%
<b>TOTAL</b>	<b>388</b>	<b>334</b>	<b>16.2%</b>	<b>252</b>	<b>242</b>	<b>4.1%</b>	<b>39</b>	<b>27</b>	<b>44.4%</b>	<b>97</b>	<b>65</b>	<b>49.2%</b>

Prize promotions have become a major marketing tool, especially among producers and distributors of mass consumption goods and services. These promotions have grown in complexity regarding rules and operating procedures. Highly competitive market conditions have required responses to applications within a shorter time frame than hitherto. Consequently, more of the Commission's resources have been devoted to this activity. In this context the Commission will be introducing fees for the service.

## CHAPTER SIX

### ENFORCEMENT ACTIVITIES

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#### 6.1 Introduction

As the enforcement arm of the Commission, the division's primary functions include:

- Gathering intelligence and managing a database of organized criminal groups involved in illegal gaming activities.
- Conducting criminal and regulatory investigations on persons involved in illegal gaming activities;
- Conducting background investigations on potential licenses and making recommendations regarding the granting of a licence.

The Division's objectives during the period included:

- Identifying illegal gaming machines and seizing illegal machines;
- Conducting operations against illegal Cash pot operators, with emphasis on the promoters, and bringing them before the Courts.
- Reducing the extent of breaches of the BGLA by Licensees through several measures, including the conduct of test betting activities at licensed betting offices, and bringing illegal bookmakers before the First Instance Tribunal;
- Developing a database of all illegal gaming operators;

#### 6.2 Investigations & Operations

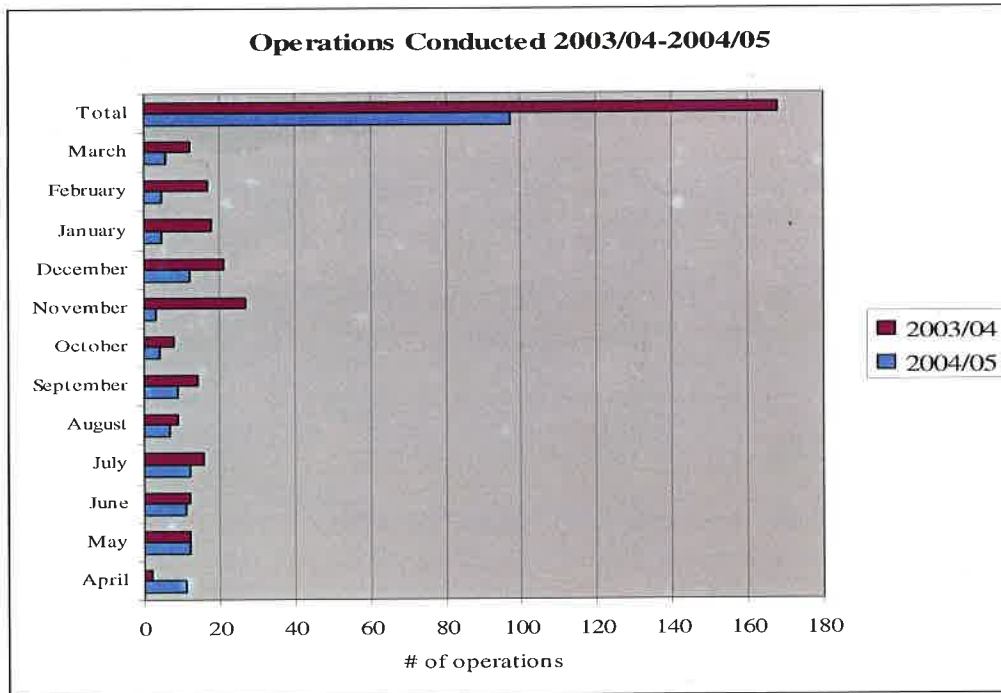
During the period under review a total of 97 operations were conducted island-wide. While this was a 40% decline in the number of operations during the previous year, these operations reflected the new strategy of focusing on the actual promoters of illegal gaming activity, requiring more intensive intelligence gathering, painstaking investigations, and comprehensive operational planning.

Of the 97 operations for the year, 64 involved gaming machines seizures; 30 involved illegal lottery activities, two involved illegal betting activities, and one involved illegal prize promotions.

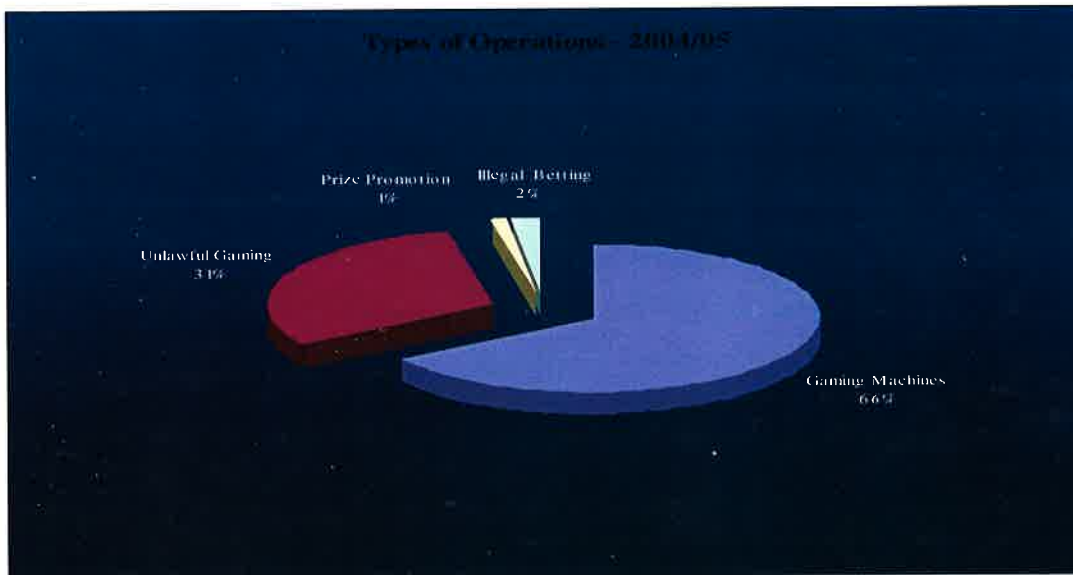
**Figure 1** compares the operations conducted monthly between 2003/04 and 2004/05, whilst **Figure 2** categorizes the operations conducted during the review period.

CHAPTER SIX – ENFORCEMENT ACTIVITIES

**Figure 1**



**Figure 2**



Resulting from these operations, 56 persons were arrested, representing a 27% decline over the 77 arrests made during the corresponding period last year. Twenty eight persons or 50% of the arrested persons were convicted during the period, compared to 52 convictions recorded for the 2003/04 fiscal year. The decline in the number of convictions can be attributed largely to the traversing of cases before the Courts. If recent trends are any indication, the average length of time before each case is disposed of before the Court will be 12 to 18 months, with the investigators involved making an average of eight appearances.

## CHAPTER SIX – ENFORCEMENT ACTIVITIES

Cash seized from illegal operators was \$1.37 million, a decline of 37% over the \$2.19 million during the corresponding period last year.

In the third quarter of the period an operation conducted in Kingston led to the arrest of a major illegal Cashpot operator along with four other persons. Based on evidence garnered cash amounting to over \$320,000, numerous gambling paraphernalia, high calibre printers, scanners and computers were also seized during the operation. It is estimated that over \$300 million in sales was generated on an annual basis by this promoter.

The extensive test betting activity which commenced during the previous fiscal year continued throughout the period under review, with a number of betting offices being kept under close monitoring.

### 6.3 Court & Tribunal Activities

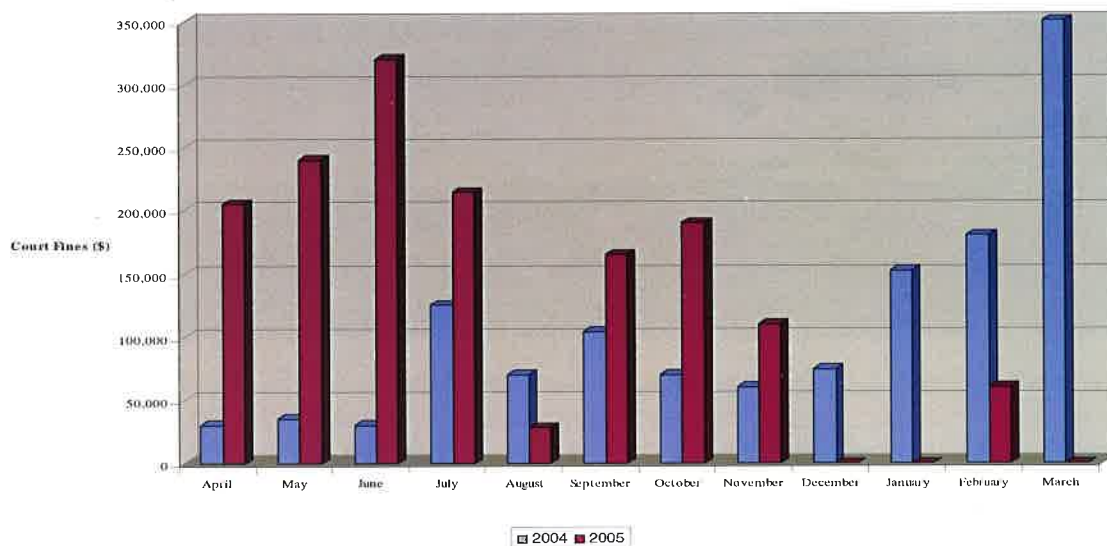
Officers of the Commission made appearances in Magistrate Courts across the fourteen parishes during the year, reflecting a ten fold increase over the corresponding period last year.

With the passing of amendments to the BGLA during the fiscal year, fines imposed by the Resident Magistrate's Courts increased by 19%, moving from \$1.28 million in 2003/2004 to \$1.53 million in the review period. Although convictions declined by 46%, the average court fines increased from \$25,000 to \$55,000. It is to be noted that the maximum fines for illegal lottery is \$500,000.

A number of hearings emanating from the test betting activities resulted in 39 cases being taken before the First Instance Tribunal. These cases, a number of which have already been part heard, should be concluded within the next fiscal period.

**Figure 3**

**Court Fines; 2003/2004 - 2004/2005**



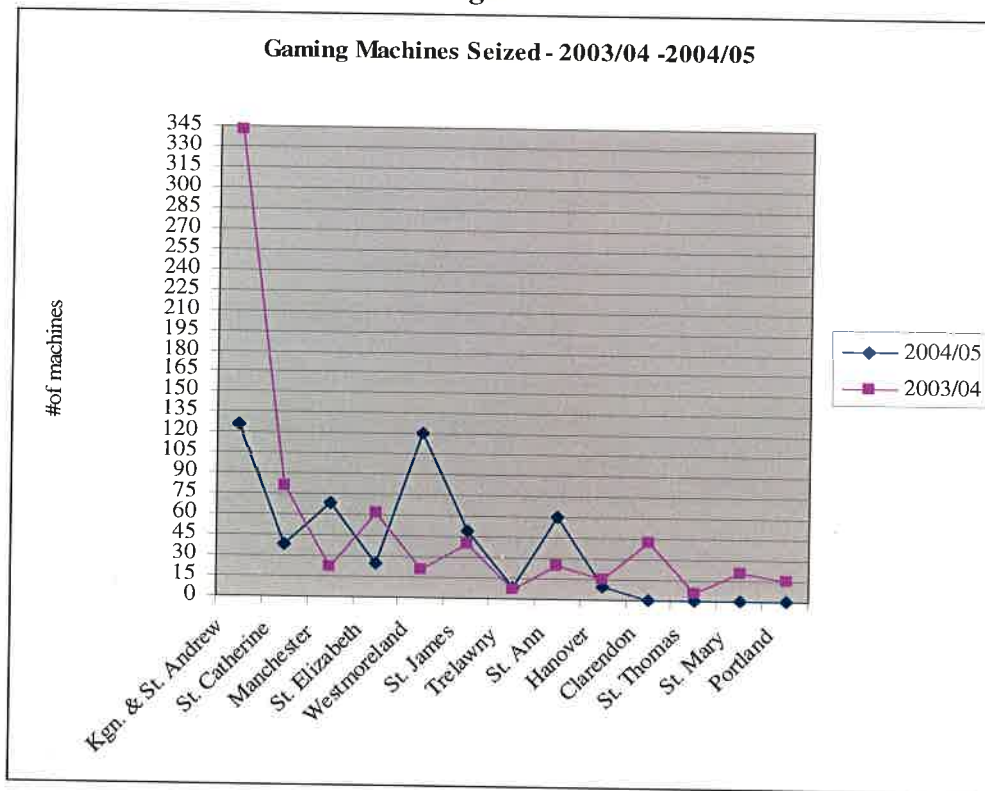
**6.4 Gaming Machines**

During the period under review, 507 unlicensed gaming machines were seized, 451 or 89% of which were subsequently licensed and returned to their operators. This compares favourably with the previous year when 73% were licensed. However, the number of machines still in storage exceeds the Commission’s storage facilities and has required the Commission to seek leased premises.

The decline in the number of gaming machines seized, as depicted in **Figure 4**, reflects the success of previous operations but also limited storage facilities.

A total of \$5.64 million was collected of which \$4.51 million went to the government coffers and \$1.31 million to the Commission.

**Figure 4**



**6.5 Reports**

A total of 86 reports were received during the period with the months of April and June recording the highest numbers with 12 and 16 reports, respectively. Compared to the previous fiscal year, this represents a 48.5% decline and is largely due to the fact that most persons are now demanding a financial reward from the Commission prior to providing information on illegal gaming activities.

## CHAPTER SIX – ENFORCEMENT ACTIVITIES

### 6.6 Due Diligence

Fourteen due diligence investigations were undertaken during the fiscal year, a 50% decline over the 28 conducted during the previous fiscal year.

Applicants for gaming machine license continue to dominate the licensees requiring due diligence investigation, accounting for 11 of the 14 investigations, whilst the remaining three were in relation to bookmaker's permit.

### 6.7 Summary

**Table 1** highlights the Division's major activities during 2004/2005 while comparing them with the activities during 2003/2004.

**Table 1**  
**Enforcement Division Major Activities - 2003/2004 & 2004/2005**

<b>Enforcement Activities</b>	<b>2003/2004</b>	<b>2004/2005</b>	<b>% Change</b>
<b>Arrests</b>	77	56	<b>-27.3%</b>
<b>Convictions</b>	52	28	<b>- 46.2%</b>
<b>Cash Seized from Illegal Operators</b>	\$2,192,048	\$1,366,914	<b>- 37.6%</b>
<b>Tribunal Fines</b>	\$10,000	-	<b>-</b>
<b>Court Fines</b>	\$1,280,000	\$1,532,000	<b>19.7%</b>
<b>Reports Received</b>	167	86	<b>- 48.5%</b>
<b>Gaming Machines Seized</b>	697	507	<b>- 27.3%</b>
<b>Due Diligence Investigations</b>	28	14	<b>-50%</b>
<b>Enforcement Operations</b>	168	97	<b>- 42.3%</b>

## CONCLUSION

The gaming industry and the regulatory environment experienced significant changes during the period under review. The betting sector continued to grow, if only in nominal terms, and has shown signs of recovering sales that were generated in fiscal 2002. Indeed, the racing Promoter generated record sales during the period. The lotteries sector recovered from the decline in sales during the previous year and seemed poised for further growth. The gaming machines sector underwent dramatic changes with the development of gaming lounges and introduction of modern gaming machines. Prize competitions became more complex as indeed they have become more central to corporate marketing strategies.

These industry changes have been accompanied by increasing rationalization and consolidation in all sectors of the gaming industry. During the period under review the number of bookmakers declined from 15 to 11 and the number of licensed betting offices declined from 521 to 445. The period is also marked by increased differentiation wherein three bookmakers together account for 68.5% of bookmakers business. The prognosis is that these trends will continue in the face of increased competition, greater expectations from punters, and the increasing need to use technology to meet these challenges.

Similar developments have occurred in the lottery sector. In December 2004 Supreme Ventures Limited acquired Jamaica Lottery Company and Jamaica Lottery Company Holdings Limited and thereby became the beneficial owner of all lottery games in Jamaica.

The gaming machines sector has also experienced differentiation and some amount of consolidation. Gaming lounges with modern machines, representing significant investment, have been introduced in Kingston and the North Coast. The 'informal' gaming sector is consolidating, reflected in the declining number of premises while the number of gaming machines did not increase during the period.

Total public sector revenue from the industry has increased from \$1.81 billion in 2002/03 to \$1.98 billion in 2003/04 to \$2.01 billion in the year under review. This revenue is expected to improve, but only marginally in the coming year, since the industry is not expected to grow significantly during that time.

The regulatory environment has continued to improve in anticipation of the new challenges arising from consolidation and growth of the industry. The major developments arise from the new taxation regime that will be introduced for gaming lounges; greater focus on player protection and problem gaming; and detection of illegal activities, including money laundering and the financing of terrorism. The Commission has reviewed and made comprehensive recommendations for amendments to the BGLA that are designed to bring Jamaica's legislative framework in line with international standards. The organization, in becoming an active member of IAGRA, founding member of CALAGRA, and bilateral partner with many jurisdictions, has leveraged the resources of the international gaming community to further develop its own regulatory standards and practices. The Commission is also focused on staff training and development to ensure that its staff remains competent in performing their functions. In keeping with the new developments, the Commission contracted PriceWaterhouseCoopers to review the organization towards realigning its structure and functions to more effectively meet the new requirements. The firm's recommendations were submitted to the relevant Ministry in February 2005, and the Commission continues to await the Ministry's response.





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To the Commissioners of  
**BETTING, GAMING & LOTTERIES COMMISSION**

Auditors' Report

We have audited the financial statements of Betting, Gaming & Lotteries Commission ("Commission"), set out on pages 2 to 21, and have obtained all the information and explanations which we required. The financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith and have been prepared in accordance with International Financial Reporting Standards, give a true and fair view of the state of the Commission's affairs as at March 31, 2005 and of the results of its operations, statement of changes in surplus and reserves and cash flows for the year then ended, and comply with the provisions of the Betting, Gaming & Lotteries Act.

December 2, 2005

BETTING, GAMING & LOTTERIES COMMISSION

Balance Sheet  
 March 31, 2005

	Notes	2005	2004
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	5,338,137	7,266,367*
Resale agreements	4	153,328,570	142,566,503
Accounts receivable and prepayments	5	23,240,066	21,304,732*
Current portion of long-term receivables	9	112,112	309,286
Taxation recoverable		<u>8,475,941</u>	<u>9,208,640</u>
		<u>190,494,826</u>	<u>180,655,528</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued charges	6	( 18,876,140)	( 24,080,930)*
Deferred income	7	( 10,724,100)	( 10,466,000)*
Taxation payable		( 3,113,368)	( 2,486,299)
		<u>( 32,713,608)</u>	<u>( 37,033,229)</u>
<b>WORKING CAPITAL</b>		157,781,218	143,622,299
<b>INVESTMENTS</b>	8	110,440,990	53,006,205
<b>LONG-TERM RECEIVABLES</b>	9	13,184,047	17,641,734
<b>EMPLOYEE BENEFIT ASSET</b>	10	12,513,000	5,228,000
<b>DEFERRED TAX ASSET</b>	11	-	1,411,105
<b>PROPERTY, PLANT AND EQUIPMENT</b>	12	<u>35,631,512</u>	<u>35,296,948</u>
Net assets		<u>\$329,550,767</u>	<u>256,206,291</u>
Financed by:			
<b>SURPLUS</b>			
Investment in property, plant and equipment		35,631,512	35,296,948
Investment in long-term receivables		14,377,380	18,361,854
Unallocated surplus		<u>81,692,960</u>	<u>10,605,344</u>
Surplus at end of year		131,701,852	64,264,146
<b>RESERVE FOR CONTINGENCIES</b>	13	182,696,120	182,696,120
<b>RESERVE FOR CAPITAL DEVELOPMENT</b>	14	<u>9,246,025</u>	<u>9,246,025</u>
		323,643,997	256,206,291
<b>DEFERRED TAX LIABILITY</b>	11	<u>5,906,770</u>	-
		<u>\$329,550,767</u>	<u>256,206,291</u>

The financial statements on pages 2 to 21 were approved for issue by the Commissioners on December 2, 2005 and signed on their behalf by:

  
 \_\_\_\_\_ Chairman

Walter H. Scott

  
 \_\_\_\_\_ Commissioner

Clive Nicholas

\*Reclassified to conform to current year presentation.

The accompanying notes form an integral part of the financial statements

BETTING, GAMING & LOTTERIES COMMISSION

Income and Expenditure Account  
Year ended March 31, 2005

	<u>Notes</u>	<u>2005</u>	<u>2004</u>
Income:			
<u>Lotteries</u>			
Jamaica Lottery Company Limited (JLC)			
- Levy		23,972,767	17,349,386
- Licence fees		6,000,000	6,000,000
Supreme Ventures Limited			
- Levy		108,145,332	107,970,090
- Licence fees		6,000,000	6,000,000
Telefun International Limited			
- Licence fees		-	1,666,667
<u>Other fees and fines</u>			
Gaming machine fees		7,938,500	8,111,500
Bookmakers and promoters fees		1,831,000	2,625,007
Bookmakers and promoters fines		<u>1,102,600</u>	<u>5,664,000</u>
Total fees and fines		<u>154,990,199</u>	<u>155,386,650</u>
Add: Interest on loans		2,602,261	2,617,561
Interest on investments		36,208,282	39,424,326
Interest on bank account		<u>183,903</u>	<u>535,969</u>
Total interest		<u>38,994,446</u>	<u>42,577,856</u>
Other income: Government Levy Scheme - Betting		17,974,766	17,524,174
Foreign exchange gains		71,080	1,658,915
Miscellaneous		<u>2,189,029</u>	<u>4,196,647</u>
Total other income		<u>20,234,875</u>	<u>23,379,736</u>
Total Income		214,219,520	221,344,242
Less: Total expenditure for the year (page 5)		<u>(122,014,978)</u>	<u>(119,043,143)</u>
		92,204,542	102,301,099
Grants	16	<u>( 13,333,333)</u>	<u>( 70,000,000)</u>
		78,871,209	32,301,099
Adjustments for interest imputed on concessionary loans to JRC and staff		1,049,135	600,331
Impairment of property, plant and equipment		<u>( 2,421,924)</u>	<u>-</u>
Surplus before taxation		77,498,420	32,901,430
Taxation	17	<u>( 10,060,714)</u>	<u>( 1,075,194)</u>
Net surplus for the year		<u>\$ 67,437,706</u>	<u>31,826,236</u>

The accompanying notes form an integral part of the financial statements.

BETTING, GAMING & LOTTERIES COMMISSION

## Statement of Changes in Surplus and Reserves

**Year ended March 31, 2005**

	<u>Surplus</u>	<u>Reserve for contingencies</u> (Note 13)	<u>Reserve for capital development</u> (Note 14)	<u>Total</u>
Balances at March 31, 2003	32,437,910	182,696,120	9,246,025	224,380,055
Net surplus, being total gains recognised for the year	<u>31,826,236</u>	<u>-</u>	<u>-</u>	<u>31,826,236</u>
Balances as at March 31, 2004	64,264,146	182,696,120	9,246,025	256,206,291
Net surplus, being total gains recognised for the year	<u>67,437,706</u>	<u>-</u>	<u>-</u>	<u>67,437,706</u>
Balances at March 31, 2005	<u>\$131,701,852</u>	<u>182,696,120</u>	<u>9,246,025</u>	<u>323,643,997</u>

The accompanying notes form an integral part of the financial statements.

**BETTING, GAMING & LOTTERIES COMMISSION**

## Expenditure

Year ended March 31, 2005

	Notes	2005	2004
<b>Personnel expenses:</b>			
Salaries, wages and national insurance		51,501,693	47,346,618
National Housing Trust		1,829,349	1,709,543
Group pension scheme	18	8,649,586	4,112,612
Consultant/legal fees		1,736,135	1,911,442
Group Life insurance premiums		474,443	369,411
Health and medical benefits obligation		3,532,693	2,857,566
Travelling and subsistence		16,601,175	11,777,137
Meetings and office hospitality		295,099	673,002
Uniform and laundry allowance		2,187,683	3,575,843
Staff training and welfare		3,582,678	2,745,697
Meal allowance		466,914	442,693
Education assistance		913,535	583,099
Incentive scheme		4,260,000	5,858,869
Canteen expenses	19	1,756,080	730,615
Tribunal		581,560	762,180
Adjustment for employee benefit asset		( 7,285,000)	( 1,831,000)
Other staff benefits		2,073,279	2,013,465
Retroactive salaries and allowances		406,644	9,355,090
Employer's education tax		<u>1,687,948</u>	<u>397,630</u>
<b>Total personnel expenses</b>		<u>95,251,494</u>	<u>95,391,512</u>
<b>Establishment expenses:</b>			
Rent -		24,991	
Insurance		553,744	195,321
Investigations		687,547	569,625
Light and power		1,630,164	1,392,988
Depreciation of computers		1,549,272	972,062
Depreciation of building		434,671	468,573
Depreciation of furniture and equipment		805,617	790,154
Depreciation of storage facility		15,005	91,995
Repairs to buildings, furniture and equipment		910,352	849,424
Depreciation multi-media projector		99,319	61,119
Loss on write-off and disposal of property, plant and equipment		<u>493,445</u>	<u>178,924</u>
<b>Total establishment expenses</b>		<u>7,179,136</u>	<u>5,595,176</u>
<b>Motor vehicle operating expenses:</b>			
Operating expenses		293,871	397,529
Depreciation		<u>519,524</u>	<u>804,590</u>
<b>Total motor vehicle operating expenses</b>		<u>813,395</u>	<u>1,202,119</u>
<b>Administration expenses:</b>			
Organisational review		723,642	2,500,000
GCT		1,704,636	1,896,461
Property tax		241,750	241,750
Public Education and Advertising		2,141,659	4,179,226
Audit fee - current year		510,000	350,000
- prior year		51,309	-
Accounting fees		382,674	163,999
Printing and stationery		836,119	748,379
Gaming machine labels		214,143	585,848
Telephone and cables		1,937,287	1,667,509
Water		166,046	98,515
Publications		208,970	247,296
Commissioners' fees	20	270,500	397,664
Office service and security		1,231,501	1,572,082
Janitorial		155,540	48,034
Bank charges		46,437	51,916
Public relation		788,411	692,808
Drugs and medical supplies		39,648	22,215
Miscellaneous office		137,518	107,294
Donations		1,433,163	613,340
Bad debts - Jamaica Racing Commission		5,000,000	670,000
- Other		<u>550,000</u>	<u>-</u>
<b>Total administration expenses</b>		<u>18,770,953</u>	<u>16,854,336</u>
<b>Total expenditure ( page 3)</b>		<u>\$122,014,978</u>	<u>119,043,143</u>

The accompanying notes form an integral part of the financial statements.

BETTING, GAMING & LOTTERIES COMMISSIONStatement of Cash Flows  
Year ended March 31, 2005

	<u>Note</u>	<u>2005</u>	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net surplus for the year		67,437,706	31,826,236
Adjustments to reconcile net surplus for the year to net cash by operating activities:			
Items not involving cash:			
Depreciation		3,423,408	3,200,659
Provision for impairment of property, plant and equipment		2,421,924	-
Deferred taxation		7,317,875	( 1,411,105)
Loss on write-off and disposal of property, plant and equipment		493,445	178,924
Employee benefits		( 7,285,000)	( 1,831,000)
Provision for bad debt-JRC Loan		5,000,000	-
Adjustments for interest imputed on concessionary loans to Jamaica Racing Commission and staff		( <u>1,049,135</u> )	( <u>600,331</u> )
		<u>77,760,223</u>	<u>31,363,383</u>
(Increase)/decrease in current assets:			
Accounts receivable and prepayments		( 1,738,160)	( 3,994,830)*
Taxation recoverable		732,699	( 5,755,700)
Increase/(decrease) in current liabilities:			
Accounts payable and accrued charges		( 4,946,690)	11,032,127*
Taxation payable		<u>627,069</u>	<u>2,486,299</u>
Net cash provided by operating activities		<u>72,435,141</u>	<u>35,131,279*</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investments in debentures and indexed bonds		(57,434,785)	(53,006,205)
Resale agreements		(10,762,066)	(11,298,433)
Loans to employees (net decrease in long-term portion)		533,821	59,063
Proceeds from disposal of property, plant and equipment		3,000	6,600
Additions to property, plant and equipment		( <u>6,703,341</u> )	( <u>5,390,538</u> )
Net cash used by investing activities		<u>(74,363,371)</u>	<u>(69,629,513)</u>
Net decrease in cash and cash equivalents		( 1,928,230)	(34,498,234)*
Cash and cash equivalents at beginning of the year		<u>7,266,367</u>	<u>41,764,601</u>
Cash and cash equivalents at end of the year		<u>\$ 5,338,137</u>	<u>7,266,367*</u>

\*Reclassified to conform to current year presentation.

The accompanying notes form an integral part of the financial statements.

BETTING, GAMING & LOTTERIES COMMISSION

Notes to the Financial Statements  
March 31, 2005

1. The Commission

Betting, Gaming & Lotteries Commission ("Commission") is a Jamaican statutory body which regulates betting, gaming and lottery activities carried on in Jamaica. The Commission's principal place of business is 17 Ruthven Road, Kingston 10.

The number of employees as at year-end was 58 (2004: 57).

At March 31, 2005 and 2004, the Commissioners, all of whom were appointed on January 1, 2003, are:

Mr. Walter Scott	-	Chairman
Mr. Lascelles Perry		
Mr. Clive Nicholas		
Mrs. Dorothy Miller		
Mr. Hugh Reid		
Miss Lorna Green		
Mr. Paul Davis		

Members of the management team at March 31, 2005 are:

Mr. Derek Peart	-	Executive Director
Mr. Carl Hill	-	Director of Enforcement
Mr. Wayne Stewart	-	Director of Gaming & Lotteries
Mr. Leslie Wright	-	Director of Betting
Mr. Merrick Brown	-	Director of Administration & Finance
Miss Lorraine Thompson	-	Acting Chief Accountant

2. Statement of compliance, basis of preparation and significant accounting policies

(a) Statement of compliance:

The financial statements are prepared in accordance with the Betting, Gaming & Lotteries Act and International Financial Reporting Standards (IFRS) and their interpretations, adopted by the International Accounting Standards Board (IASB).

(b) Basis of preparation:

The financial statements are prepared on the historical cost basis and are presented in Jamaica dollars (\$), which is the functional currency of the Commission.

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, contingent assets and contingent liabilities at the balance sheet date and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

The significant accounting policies set out below have been applied consistently to all periods presented in the financial statements and conform in all material respects to IFRS.

BETTING, GAMING AND LOTTERIES COMMISSION

Notes to the Financial Statements (Continued)

March 31, 20052. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

## (c) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances, including short-term deposits.

## (d) Resale agreements:

A resale agreement ("reverse repo") is a short-term transaction whereby the Commission buys securities and simultaneously agrees to resell the securities on a specified date and at a specified price. Title to the security is not actually transferred, unless the counterparty fails to comply with the terms of the contract.

Reverse repos are accounted for as short-term collateralised lending. Reverse repos are classified as originated loans and receivables and measured at amortised cost.

The difference between the sale and repurchase considerations is recognised on the accrual basis over the period of the transaction and is included in interest income.

## (e) Accounts receivable:

Trade and other receivables are stated at cost, less impairment losses [note 2(k)].

## (f) Accounts payable and accrued charges:

Account payable and accrued charges are stated at cost.

## (g) Provision:

A provision is recognised in the balance sheet when the Commission has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability.

## (h) Investments:

Investments, comprising Government of Jamaica securities or other securities and loans which are provided directly to a borrower, are classified as originated loans and securities and are initially measured at cost and subsequently at amortised cost, using the effective interest rate method, less impairment losses. Management determines the appropriate classification of investments at the time of purchase.

## (i) Property, plant and equipment:

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses.



BETTING, GAMING AND LOTTERIES COMMISSION

Notes to the Financial Statements (Continued)

*March 31, 2005*2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

## (j) Depreciation:

Property, plant and equipment are depreciated on the straight-line basis at annual rates estimated to write off the assets over their expected useful lives. The depreciation rates are as follows:

Buildings	2½%
Office furniture, fixtures, reference books and equipment	10%
Computer equipment	20%
Motor vehicles	20%
Storage facility	10%
Multi-media projector	20%

## (k) Impairment:

- (i) The carrying amounts of the Commission's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, an asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income and expenditure account.

The recoverable amount of the Commission's originated securities and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

## (ii) Reversals of impairment:

An impairment loss in respect of originated securities and receivables is reversed, if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. For all other assets, an impairment loss is reversed, if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

BETTING, GAMING AND LOTTERIES COMMISSION

Notes to the Financial Statements (Continued)

*March 31, 2005*2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

## (l) Financial instruments:

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents, resale agreements, accounts receivable and long-term receivables. Similarly, financial liabilities comprise accounts payable.

## (m) Taxation:

Income tax comprises current and deferred tax. Income tax is recognised in the income and expenditure account, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be realised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## (n) Employee benefits:

## (i) General benefits:

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post-employment benefits are accounted for as described in (ii) and (iii) below. Other long-term benefits, including termination benefits, which arise when either (1) the employer decides to terminate an employee's employment before the normal retirement date or (2) an employee decides to accept voluntary redundancy in exchange for termination benefits, are accrued as they are earned and charged as an expense, unless not considered material, in which case they are charged when they are paid.

Employee benefits comprise all forms of consideration given by the Commission in exchange for service rendered by employees. These include current or short-term benefits such as salaries, NIS contributions paid, annual vacation and sick leave, and non-monetary benefits, such as medical care and housing.

BETTING, GAMING AND LOTTERIES COMMISSION

Notes to the Financial Statements (Continued)

*March 31, 2005*

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(n) Employee benefits (cont'd):

(ii) Defined-benefit pension schemes:

The Commission operates a defined-benefit pension scheme (see note 10) providing benefits on final pensionable pay. The assets of the scheme are held separately from those of the Commission.

In respect of defined-benefit arrangements, employee benefits comprising pensions and other post-employment assets and obligations included in the financial statements are determined by a qualified independent actuary, appointed by management. The actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the Commission's post-employment benefit asset and obligation as computed by the actuary. In carrying out their audit, the auditors rely on the work of the actuary and the actuary's report.

The Commission's net benefit asset in respect of the defined-benefit pension schemes is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of scheme assets is deducted. The discount rate is the yield on long-term government securities that have maturity dates approximating the terms of the Commission's obligation. The calculation is performed by the independent, qualified actuary using the projected unit credit method.

When the benefits of the schemes are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income and expenditure account on the straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income and expenditure account.

All actuarial gains and losses as at April 1, 2002, the date of transition to IFRS, were recognised. In respect of actuarial gains and losses that arise subsequent to April 1, 2002, in calculating the Commission's obligation in respect of the scheme, to the extent that any cumulative actuarial gain or loss exceeds 10 percent of the greater of the present value of the defined benefit obligation and the fair value of scheme assets, that portion is recognised in the income and expenditure account over the expected average remaining working lives of the employees participating in the scheme. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit to the Commission, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the schemes or reductions in future contributions to the schemes.

## BETTING, GAMING AND LOTTERIES COMMISSION

## Notes to the Financial Statements (Continued)

March 31, 2005

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

## (o) Foreign currencies:

Foreign currency balances at the balance sheet date are translated at the rates of exchange ruling at that date.

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions.

Gains and losses arising from fluctuations in exchange rates are included in the income and expenditure account.

## (p) Revenue recognition:

## (i) Gaming activities:

Income from gaming activities, in general, is recognised on the accrual basis and is based on a fixed percentage of sales. The amounts accrued are based on information provided by the gaming companies and the Inland Revenue department.

## (ii) Licences and other income:

Income from licences and other sources is recognised on the accrual basis.

3. Cash and cash equivalents

	<u>2005</u>	<u>2004</u>
Bank of Nova Scotia (Jamaica) Limited - Current account	4,462,538	3,606,005
National Commercial Bank Jamaica Limited	-	-
- Foreign currency account	37,384	21,758
- Savings account	26,251	4,199
First Caribbean International Bank Limited	-	-
- Current account (note 13)	332,853	3,102,501
Escrow account - Clive McCulloch (note 6)	471,111	426,139
Cash in hand	-	100,765
Petty cash imprest	8,000	5,000
	<u>\$5,338,137</u>	<u>7,266,367</u>

4. Resale agreements

	<u>2005</u>	<u>2004</u>
Dehring Bunting & Golding Limited	103,185,336	-
Capital & Credit Merchant Bank Limited (note 13)	25,606,004	23,463,259
Pan Caribbean Financial Services (note 13)	195,869	-
Jamaica Money Market Brokers Limited	24,341,361	104,999,274
Sigma Investment Management Systems Limited (note 13)	-	14,103,970
	<u>\$153,328,570</u>	<u>142,566,503</u>

Under collateralised resale agreements, the Commission obtains securities on terms which permit it to repledge or resell to others under repurchase agreements. At March 31, 2005, securities with such permission that the Commission held had a fair value of \$162,294,077 (2004: \$144,982,585).

BETTING, GAMING AND LOTTERIES COMMISSION

## Notes to the Financial Statements (Continued)

*March 31, 2005*5. Accounts receivable and prepayments

	<u>2005</u>	<u>2004</u>
Interest receivable (i)	4,128,876	2,100,475
Sales levy and fee receivable (note 13)	14,197,374	16,111,107
General Consumption Tax	-	150,484
Inland Revenue Department - outstanding grants	2,724,018	1,651,681
Salary advance	66,878	26,045
Staff loans	1,193,333	720,120
Utility and rental deposits	120,524	6,500
Prepayments and other deposits (ii)	<u>2,029,063</u>	<u>1,208,320</u>
	24,460,066	21,974,732
Provision for doubtful debt	<u>( 1,220,000)</u>	<u>( 670,000)</u>
	<u>\$23,240,066</u>	<u>21,304,732</u>

(i) Included in interest receivable is \$1,778 in respect of the Clive McCulloch escrow account (see note 6).

(ii) Included in prepayments and other deposits is an amount of \$135,000, which represents a deposit on additions to buildings (note 22).

6. Accounts payable and accrued charges

	<u>2005</u>	<u>2004</u>
Statutory liabilities	1,552,225	1,556,517
Clive McCulloch's escrow (notes 3 and 5)	472,889	427,190
Trade payables	3,891,871	10,561,459
Other payables and accrued charges	<u>12,959,155</u>	<u>11,535,764</u>
	<u>\$18,876,140</u>	<u>24,080,930</u>

7. Deferred income

This represents lottery licence fees received in respect of future periods.

8. Investments

	<u>2005</u>	<u>2004</u>
Originated securities:		
Government of Jamaica securities		
Debentures - 2005/6	106,101,000	48,705,000
US\$ Indexed bond	<u>4,339,990</u>	<u>4,301,205</u>
	<u>\$110,440,990</u>	<u>53,006,205</u>

9. Long-term receivables

	<u>2005</u>	<u>2004</u>
Loans to employees, remeasured for concessionary interest rate [see (i) below]	292,715	937,747
Less: Current portion	<u>( 112,112)</u>	<u>( 309,286)</u>
	180,603	628,461
Loan to Jamaica Racing Commission, remeasured for concessionary interest rate [see (ii) below]	18,003,444	17,013,273
Provision for bad debt-JRC loan [see (ii) below]	<u>( 5,000,000)</u>	<u>-</u>
	<u>\$13,184,047</u>	<u>17,641,734</u>

BETTING, GAMING AND LOTTERIES COMMISSION

Notes to the Financial Statements (Continued)

*March 31, 2005*9. Long-term receivables (cont'd)

- (i) Twenty-eight percent (28%) of loans to employees are interest-free while the remainder bears interest at 8% and 12% per annum and are repayable in equal monthly instalments. These include motor vehicle loans to travelling officers who are required to repay over a 5 year period.
- (ii) This represents the balance on a \$20 million loan to The Jamaica Racing Commission (JRC) in 2003 for a five-year period, bearing interest at 12½% per annum on the reducing balance method, supported by a promissory note from JRC. Interest was payable in the first year of the loan, while principal was payable after the first year. Effective April 21, 2004, a moratorium on principal repayments was granted to JRC for an additional twelve months. \$5million has been provided for possible loan loss in view of difficulties being experienced by JRC in paying in accordance with the agreement.

Subsequent to balance sheet date, JRC has made a proposal to renegotiate the loan. Although agreement has not yet been finalised, the Commission is favourably considering a revised interest rate of 5% per annum, and extending the loan period to six years, commencing April 1, 2005.

10. Pension scheme

A defined-benefit pension scheme is administered by Life of Jamaica Limited, for all employees of the Commission and The Jamaica Racing Commission [see note 2(n)], who satisfy certain minimum service requirements.

The benefits are computed by reference to final salary.

Amounts recognised in the financial statements in respect of post-retirement employee benefits comprise the following:

	<u>2005</u>	<u>2004</u>
Employee benefit asset:		
Present value of funded obligations	(59,408,000)	(37,725,000)
Fair value of plan assets	<u>75,615,000</u>	<u>52,053,000</u>
Net asset	16,207,000	14,328,000
Unrecognised actuarial gains	<u>( 3,694,000)</u>	<u>( 9,100,000)</u>
Asset recognised in balance sheet	<u>\$12,513,000</u>	<u>5,228,000</u>

- (i) Movements in the net asset recognised in the balance sheet:

	<u>2005</u>	<u>2004</u>
Balance at beginning of year	5,228,000	3,397,000
Contributions paid	6,801,000	3,829,000
Expense recognised in the income and expenditure account	<u>484,000</u>	<u>(1,998,000)</u>
Balance at end of year	<u>\$12,513,000</u>	<u>5,228,000</u>

BETTING, GAMING AND LOTTERIES COMMISSION

Notes to the Financial Statements (Continued)

**March 31, 2005**10. Pension scheme (cont'd)

(ii) Expense recognised in the income and expenditure account:

	<u>2005</u>	<u>2004</u>
Current service costs	2,053,000	2,532,000
Interest on obligations	4,508,000	4,007,000
Recognised gain	( 177,000)	-
Expected return on plan assets	<u>(6,868,000)</u>	<u>(4,541,000)</u>
	<u>\$( 484,000)</u>	<u>1,998,000</u>
Actual return on plan assets	<u>22%</u>	<u>19%</u>

(iii) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	<u>2005</u>	<u>2004</u>
Discount rate	12.5%	12.5%
Expected return on plan assets	12.5%	12.5%
Future salary increases	10.0%	10.0%
Future pension increases	3.5%	0.0%
Inflation	<u>7.0%</u>	<u>7.0%</u>

11. Deferred tax (liability)/asset

(a) Deferred tax (liability)/asset is attributable to the following:

	<u>2005</u>	<u>2004</u>
Employee benefit asset	(4,171,000)	-
Accounts receivable and prepayments	(1,376,292)	( 700,158)
Property, plant & equipment	(3,742,098)	( 776,263)
Accounts payable and accrued charges	<u>3,382,620</u>	<u>2,887,526</u>
	<u>\$(5,906,770)</u>	<u>1,411,105</u>

(b) Movement in temporary differences during the year:

	<u>Balance at April 1, 2004</u>	<u>Recognised in income</u>	<u>Balance at March 31, 2005</u>
Employee benefit	-	(4,171,000)	(4,171,000)
Accounts receivable and prepayments	( 700,158)	( 676,134)	(1,376,292)
Property, plant and equipment	( 776,263)	(2,965,835)	(3,742,098)
Accounts payable	<u>2,887,526</u>	<u>495,094</u>	<u>3,382,620</u>
	<u>\$1,411,105</u>	<u>(7,317,875)</u>	<u>(5,906,770)</u>

## BETTING, GAMING &amp; LOTTERIES COMMISSION

Notes to the Financial Statements (Continued)  
March 31, 2005

12. <u>Property, plant and equipment</u>	<u>Property, plant and equipment</u>									
	<u>Land</u>	<u>Buildings</u>	<u>Old office furniture, fixtures, reference books, and equipment</u>	<u>New office furniture equipment</u>	<u>Computer equipment</u>	<u>Motor vehicle</u>	<u>Storage facility</u>	<u>Multi- media projector</u>	<u>Total</u>	
March 31, 2004	4,055,482	18,742,916	4,593,962	3,839,670	8,106,734	4,012,654	945,856	458,393	44,755,667	
Additions	-	-	-	232,382	5,065,097	1,405,862	-	-	6,703,341	
Eliminated on disposal/write off	-	-	(2,803,119)	-	(288,707)	-	-	-	(3,091,826)	
March 31, 2005	4,055,482	18,742,916	1,790,843	4,072,052	12,883,124	5,418,516	945,856	458,393	48,367,182	
Depreciation:										
March 31, 2004	-	2,242,672	3,476,339	765,606	2,389,204	2,766,000	178,810	61,119	11,879,750	
Charge for the year	-	434,671	442,672	362,945	1,549,272	519,524	15,005	99,319	3,423,408	
Eliminated on disposal/write-off	-	-	(2,567,488)	-	-	-	-	-	(2,567,488)	
March 31, 2005	-	2,677,343	1,351,523	1,128,551	3,938,476	3,285,524	193,815	160,438	12,735,670	
Net book values:										
March 31, 2005	4,055,482	16,065,573	439,320	2,943,501	8,944,648	2,132,992	752,041	297,955	35,631,512	
Deferred charges										
Impairment of deferred charges								(2,421,031)	\$35,631,512	
March 31, 2004	4,055,482	16,500,244	1,117,623	3,074,064	5,717,530	1,246,654	767,046	397,274	32,875,917	
Deferred charges									2,421,031	
									\$35,296,948	

The Commission allowed the Jamaica Society for Prevention of Cruelty to Animals (JSPCA) to occupy certain of its premises rent-free for a period of three years, which expired in March 1999. JSPCA is allowed to continue to occupy the premises rent-free on a month-by-month basis and all repair expenses are borne by JSPCA.

Deferred charges represent payments made for Architects and Engineering fees for a building intended to be constructed on the Commission's land. It is no longer management's opinion that the fees can be recovered from sale of the land, if necessary.



BETTING, GAMING & LOTTERIES COMMISSION

Notes to the Financial Statements (Continued)

*March 31, 2005*13. Reserve for contingencies

The Jamaica Lottery Company (JLC), Supreme Ventures Limited, Telefun International Limited, and Caymanas Track Limited (CTL) pay annual fees to the Commission to defray certain personnel expenses, such sum to be reviewed annually. JLC and Supreme Ventures pay 1% of total sales as cess, except for amounts deducted from JLC's 'Lotto' for free tickets. The fund, built up from the annual fees and the cess, is represented partly by cash (note 3), resale agreements (note 4), taxation recoverable and partly by accounts receivable (note 5). In previous years, expenditure by the Commission was partly funded by transfers from the fund to the income and expenditure account. Since April 1, 2003, these fees are recognised in the income and expenditure account as part of the Commission's normal operations.

14. Reserve for capital development

This represents interest earned on fixed deposits which are maintained as reserve funds for purposes of capital development. Transfers are made to keep the reserve at a level that is considered adequate by management. No transfers were made during the year.

15. Financial instruments

## (a) Fair values:

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.

The carrying amounts reflected in the financial statements for cash and cash equivalents, resale agreements, accounts receivable, accounts payable are assumed to approximate to their fair values due to their short-term nature.

The fair value of long-term receivables is assumed to approximate its carrying value as no loss on realisation is anticipated.

## (b) Financial instrument risks:

Exposure to credit, interest rate, market, liquidity, foreign currency and cash flow risks arises in the ordinary course of the Commission's operations. Derivative instruments are not presently used by the Commission as a risk management strategy.

## (i) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation resulting in financial loss to the other party.

The credit risk for the Commission is primarily in respect of resale agreements, investments and long-term receivables. Resale agreements are held with reputable financial institutions and investments are mainly in Government securities. Management has an established policy in place for the granting of loans which minimises exposure to credit risk.

There are no other significant concentrations of audit risk and the maximum exposure to this risk is represented by the carrying amounts of each financial asset in the balance sheet.

BETTING, GAMING & LOTTERIES COMMISSION

Notes to the Financial Statements (Continued)

**March 31, 2005**

15. Financial instruments (cont'd)

(b) Financial instrument risks:

(ii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Commission manages this risk by investing in Government securities using carefully selected financial institutions.

(iii) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in prices, whether those changes are caused by factors specific to the individual security or its issuers or factors affecting all securities traded in the market. At the balance sheet date, the Commission did not have any financial instruments subject to this risk as it has no traded securities.

(iv) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the Commission will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. The Commission manages this risk by ensuring that reliable budgets are submitted to the Government of Jamaica to facilitate timely receipt of subventions. Sufficient cash resources are also maintained.

(v) Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Commission incurs foreign currency risk on transactions that are denominated in a currency other than the Jamaica dollar. The main currency giving rise to this risk is the US dollar. The Commission ensures that the net exposure is kept to an acceptable level by reviewing foreign exchange rate movements, monitoring investments in foreign currency and holding instruments for a short-term.

As at March 31, 2005, net foreign currency assets amounted to US\$248,107 (2004: US\$174,237).

BETTING, GAMING & LOTTERIES COMMISSION

Notes to the Financial Statements (Continued)  
 March 31, 2005

15. Financial instruments (cont'd)

## (b) Financial instruments risk (cont'd):

## (vi) Cash flow risk:

Cash flow risk is the risk that future flows associated with a monetary financial instrument will fluctuate in amount. The Commission manages this risk by ensuring, as far as possible, that cash flows relating to monetary financial liabilities and assets are matched to mitigate any significant adverse cash outflows.

16. Grants

	<u>2005</u>	<u>2004</u>
The Jamaica Racing Commission [see (i) below]	10,000,000	20,000,000
Caymanas Track Limited [see (ii) below]	-	50,000,000
Ministry of Finance and Planning [see (iii) below]	<u>3,333,333</u>	-
	<u>\$13,333,333</u>	<u>70,000,000</u>

(i) During the year, at the request of the Ministry of Finance and Planning, a grant of \$10 million was made to The Jamaica Racing Commission (JRC) in respect of its projected deficit. The grant in the previous year was in respect of budgetary support also.

(ii) In 2004, at the request of the Ministry of Finance and Planning, a grant of \$50 million was made to Caymanas Track Limited (CTL) towards purses.

(iii) During the year, at the request of the Ministry of Finance and Planning, a grant of \$4 million was made to the Ministry in respect of services of a special advisor to the Ministry on matters relating to the Racing Industry. The grant is payable monthly, effective June 1, 2004.

17. Taxation

Pursuant to an amendment to Section 12(b) of the Income Tax Act, effective December 23, 2003, the Commission's previous exemption from income tax was revoked. Hence, in accordance with the amendment, the income of the Commission was pro-rated and taxation computed and recognised, accordingly, for the period January 1 to March 31, 2004 and thereafter.

(a) The charge for taxation is based on the pro-rated surplus before taxation, as adjusted for tax purposes, and is made up as follows:

	<u>2005</u>	<u>2004</u>
(i) Current tax charge:		
Income tax at 33 $\frac{1}{3}$ %	4,654,546	2,486,299
(ii) Prior year over-provision	( 1,911,707)	-
(iii) Deferred tax charge:		
Origination of temporary differences [note 11(b)]	<u>7,317,875</u>	<u>(1,411,105)</u>
Tax charge recognised in the income and expenditure account	<u>\$10,060,714</u>	<u>1,075,194</u>

BETTING, GAMING & LOTTERIES COMMISSIONNotes to the Financial Statements (Continued)  
March 31, 200517. Taxation (cont'd)

## (b) Reconciliation of effective tax rate:

The effective tax rate for 2005 was 38% of \$77,498,420 pre-tax profits pro-rated, compared to the statutory tax rate of 33 $\frac{1}{3}$ %. The actual charge differs from the "expected" tax charge for the year as follows:

	<u>2005</u>	<u>2004</u>
Pro-rated surplus before taxation	<u>77,498,420</u>	<u>8,225,360</u>
Computed "expected" tax charge at 33 $\frac{1}{3}$ %	25,832,807	2,741,512
Difference between profit for financial statements and tax reporting purposes on:		
Depreciation and capital allowances	535,184	695,511
Disallowed expenses	3,116,761	20,807
Unrealised exchange gain-capital	( 23,694)	( 138,105)
Interest receivable	15,233	525,136
Accounts payable	-	(2,718,924)
Income exempt from income tax	(18,896,825)	-
Prior year over-provision	( 1,911,707)	-
Other	<u>1,392,955</u>	<u>( 50,023)</u>
Actual tax charge	<u>\$10,060,714</u>	<u>1,075,194</u>

18. Pension contribution

The Commission increased its contribution to the pension scheme from 10% to 16% of pensionable salaries, commencing January 2004. During the year, the Commission also contributed \$1.5 million towards increasing the pension of existing retirees.

19. Canteen expenses

This was reintroduced in November 2004 and, thus, the prior year expenses represent five months expenditure.

20. Commissioner's emoluments

Commissioners' fees and other remuneration for the year was \$449,508 (2004: \$538,742).

21. Contingencies

## (i) A two-fold claim has been filed against the Commission by a former employee:

- a claim for wrongful dismissal in the sum of \$1,746,727 up to March 31, 2002 and continuing thereafter at \$124,766 per month;
- a sum of \$67,680 deducted from terminal payments in respect of the outstanding amount alleged to be due in payments for lease of a motorcar.

BETTING, GAMING & LOTTERIES COMMISSION

## Notes to the Financial Statements (Continued)

*March 31, 2005*21. Contingencies (cont'd)

- (i) A two-fold claim has been filed against the Commission by a former employee (cont'd):

The commission was granted a favourable decision on September 18, 2003. This decision has been appealed by the plaintiff. If the plaintiff succeeds in this action, there is a potential order for costs against the Commission for a further amount which should not exceed \$750,000 (2004: \$750,000). However, the Commission's attorney indicated that the Commission has a reasonable case that it was entitled to dismiss the former employee for cause. No provision has been made in the financial statements in respect of these amounts.

- (ii) A claim for reinstatement was filed against the Commission by another former employee. The applicant was unsuccessful in the Supreme Court and accordingly, judgement and an order for costs were made in favour of the Commission. The Commission's attorneys anticipate that the registrar should award costs in the sum of at least \$500,000. No accrual has been made in the financial statements in respect of this amount as the eventual collection of the amount is uncertain.

- (iii) A claim for reinstatement was filed against the Commission by another former employee. No claim for damages has been filed. The Commission's attorney indicated that the Commission has a reasonable case and it is anticipated that the Commission will be successful in light of the ruling on a previous case, whereby, the Commission was successful.

- (iv) The Commission's collective bargaining agreement with its staff expired March 31, 2004. The new agreement when concluded will involve some amount of retroactive salary and emoluments as of April 1, 2004. The amount of the retroactive salary cannot at this time be estimated and, thus, not included in the accounts. It is anticipated that the retroactive salary will be determined on the expiration of the current Memorandum of Understanding between the Government of Jamaica and the trade unions representing public service employees which is set to expire March 31, 2006.

22. Capital commitment

At the balance sheet date, there was a capital commitment of approximately \$269,000 in respect of which a deposit of \$135,000 has been made [note 5(ii)].



