



# **BETTING, GAMING & LOTTERIES COMMISSION**

**2010 ~  
2011**

**Regulating, Facilitating, Enabling**

**36<sup>TH</sup>  
ANNUAL  
REPORT**

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## Message from The Chairman



**After** the exciting changes the Gaming Industry saw last year which brought the long awaited Amendments to the Betting, Gaming and Lotteries Act (BGLA) and the passage of casino legislation as part of integrated resort developments, this year has been an interesting one. Paramount in our focus has been supporting our stakeholders and licensees as they absorb the new information, make their necessary adjustments and recalibrate their vision for the future of Gaming in Jamaica. The Amendments have opened up a myriad of possible business opportunities and have tightened the reins on controls to protect the compliant and the vulnerable groups. While some have welcomed the changes, others may be understandably slower in grasping the necessity for the new vision and incorporating it into their own.

*“Paramount in our focus has been supporting our stakeholders and licensees as they absorb the new information, make their necessary inputs and adjustments and recalibrate their vision for the future of gaming in Jamaica.”*

The accomplishments of the new Legislation are rendered meaningless without full support from the nation’s law enforcement personnel and the judiciary. The Amended BGLA is a product of decades of hands on experience, crafted by the best legal and industry minds in the country, with the best intentions at the heart of the desire for transformation. The Amendments were necessary to push gaming in Jamaica through an imperative evolution towards international best practices and standards. Had we not implemented these laws at the time we did, Jamaica’s gaming industry would right now be on a rapid descent into obsolescence.

With the rapid technological developments in the gaming industry, we have little choice but to stand ready, nudging our more reluctant licensees towards competitiveness by facilitating their development in a world where gaming is no longer limited by geography. But with that access, increased protection of the public from possible harmful effects of gaming, in particular, minors, has come into effect and we have enjoyed support for which the Commission and national law enforcement workers are to be highly commended. The crafting of the Regulations is now in process with valuable input from stakeholders and will soon give the judiciary and our forces the necessary teeth with which to tighten the reins on offenders and encourage compliance. Preparation of office accommodation meeting the needs of the Commission is still underway. Once complete, this will facilitate vital restructuring and expansion of future responsibilities which may fall within our ambit.

I thank my fellow Commissioners - Mrs. Viris Page-Gardner, and Messrs. Cecil Warren, Richard Chen, Clovis Metcalfe and Peter Millingen, for their thoughtful and reasoned approach to all matters, and to the Executive Director for his unfailing leadership at the helm of the BGLC. To the entire management and staff, your continued diligence is respected. I encourage our licensees to continue pushing the boundaries of your business, expanding to include a prosperous vision for the future, as we continue to strive for excellence and global relevance and competitiveness.

**George Soutar, O.D.**

## **Message from The Executive Director**

**The** June 2010 Amendments to the Betting, Gaming and Lotteries Act have introduced a new suite of gaming options, created mechanisms for more effective monitoring and control to minimize if not eliminate criminal and other unsavoury influences in the industry, and introduced a fixed penalty regime for several offences.



In this context the Commission embarked on an intensive internal training programme regarding the provisions of the amended Act, adopted new technical standards for gaming devices and software, leveraging the support of the international gaming community, developed the relevant conditions that are applicable to licensing and approvals of the new gaming options, and received training in respect of new technology being introduced by licensees. While not in its remit, but in an attempt to accelerate the process, the Commission commenced in June 2010 the submission to the Chief Parliamentary Counsel, draft Regulations to enable licensing for these activities. These draft submissions include provisions for sports betting, betting lounges, gaming lounges, fixed penalties and electronic wagering. Regrettably, these Regulations have not been actioned by the relevant authorities. Our Directors and Staff now stand ready to serve the public on a number of new fronts, providing protection to vulnerable groups and compliant licensees, and facilitating the further development of Gaming in Jamaica.

Despite the recession, Government gaming revenue from the industry increased from \$3.11 billion in fiscal 2009/10 to \$3.36 billion or by 11% in fiscal 2010/11, as the Commission increased its vigilance during the period, armed with the Amendments to the Act. This increase, however, was due entirely to an increase of some \$300 million in revenues from the lotteries sector, most of which derived from the bet-winnings tax on prizes of over \$15,000 on any one ticket. This increased from \$105 million to \$267 million between the two years. There were marginal declines in government revenue from the other sectors, namely betting by \$15 million or 6% and gaming by \$6 million or 2%. There are, however, prospects for expansion in new areas of entertainment, the most encouraging being sports betting. Starting from an albeit small base, sports betting sales increased over 400 times during the year

Mindful of the increased obligations and associated costs arising from the amendments and other initiatives, inclusive of new accommodation, restructuring and staff expansion, along with slow growth or decline in traditional sources of funding, the Commission is embarking on new sources of funding, which hitherto have either not been charged or charged below cost. These include prize promotions.

Prize promotions have continued to be a popular way of promoting business activity, especially for mass consumption goods and services such as telecommunications, food and beverage, furniture and appliances, and electronics. There are general rules in respect of what constitutes a prize competition as against a lottery for instance, and stringent rules regarding the promotion and conduct of such competitions to ensure that the public is protected. Each prize competition is unique and requires significant resources to review, approve and monitor its implementation. The Commission processed 247 applications during the year under review. A fee structure will be introduced in the coming year with a view to recover the cost of regulating this activity.

*“Despite the recession, Government gaming revenue from the industry increased from \$3.11 billion to \$3.36 billion.....as the Commission increased its vigilance, armed with the Amendments to the Act”*

There are other activities for which fees will also be either charged or increased by the Commission to supplement its traditional sources of funding to ensure that it will be able to sustain its increased obligations to the public from internally generated funds.

The Commission has entered its 6<sup>th</sup> year in providing financial support to RISE Life Management Services in its very timely and important problem gaming intervention programme, which involves training of teachers and health workers to identify and treat with the problem, operating a call in hot-line for affected persons, conducting training sessions among licensees, and other initiatives.

I commend my staff for riding through this transition period of incorporating the Amendments, stepping up the learning curve and managing the new responsibilities that have come with the major expansion of gaming modes. I thank the Chairman and the Board of Commissioners for their calm steerage through these uncharted waters, setting a new course for regulating, facilitating and enabling our nation's entertainment possibilities. We give thanks also for the life, work and spirit of Ms. Josseth Gray, our slain colleague, sadly missed by all.

**Derek Peart**

## CHAPTER ONE OVERVIEW

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### 1.1 Introduction

This marks the thirty-sixth 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, 2010 to March 31, 2011. Wherever possible, actual figures including totals in most tables have been rounded to the nearest million. Some corresponding percentages will reflect changes due to this rounding. [Income figures in the Sector reports produced will not necessarily be the same as those reflected in the Financial Statement because of differences in the periods used to capture data in the Financial Statements as compared to the Division period reporting.](#)

### 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 the Public Service 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 the Public Service and recommends legislative amendments pertaining to the Act, Regulations and Orders to ensure an orderly development of the industry.

## **V I S I O N**

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

### **1.3 Board of Commissioners**

For the period April 2010 to March 2011, the Board of Commissioners consisted of six members with the overall responsibility for corporate governance and the strategic direction of the Commission.

The Board comprised Chairman George Soutar and Commissioners Mr. Richard Chen, Mr. Clovis Metcalfe, Mr. Peter Millingen, Ms. Viris Page-Gardner and Mr. Cecil Warren.

#### **Composition of Board Sub-Committees**

##### **Audit**

Clovis Metcalfe (Chairman)  
Peter Millingen

##### **Finance**

Clovis Metcalfe (Chairman)  
Richard Chen

The Executive Director also serves on each Sub-Committee.



## CHAPTER ONE – OVERVIEW

## 1.4 STATISTICAL HIGHLIGHTS – 2010/2011

<b>Betting Sector</b>	
Promoter – Caymanas Track Limited	63 off track betting parlours
	324 simulcast race days
Bookmakers	11 bookmakers
	302 licensed betting offices
	85 local race days
	52 weeks of overseas races
Sales	\$7.2 B (Promoter \$4.3B; Bookmakers \$2.9B)
Total Levies & Duties Payable	\$230.4 M (Promoter \$66M; Bookmakers \$164.4M)
Total Levies & Duties Paid	\$227.2M (Promoter \$60.4M; Bookmakers \$166.8M)
CHASE Contribution Paid	\$346,492
JRC Contribution Paid	\$81 M (Promoter \$36M; Bookmakers \$45M)
BGLC Contribution Paid	\$38 M (Promoter \$8M; Bookmakers \$30M)
Penalties Imposed	\$1 million
<b>Lotteries Sector</b>	
Sales	\$22 billion
Prize Payouts	\$15 billion
Levy Payments	\$1.5 billion
CHASE Fund Contributions	\$1.1 billion
Unclaimed Winnings (50% to CHASE)	\$73.34 million
BGLC Contribution & Fees paid	\$240.8M (Contributions: \$222M + Fees: \$18.8M)
Lottery Draws	816
<b>Gaming Sector</b>	
Gaming Lounge – GPT to Consol. Fund	\$164 million
Other Gaming Machines Levy	\$25.5 million
Gaming Lounge - CHASE Contribution	\$25 million
Gaming Lounge - BGLC Contribution	\$62 million
Other Gaming Machines License Fee	\$12.5 million
Inspections	1,583 locations
<b>Prize Promotions</b>	
Applications Received	257
Applications Processed	247
<b>Enforcement</b>	
Operations	76
Arrests	22 persons
Convictions	23 persons
Gaming Machines Seized	342
Fines & Forfeitures (paid to courts)	\$1.164 million
Reports	56



## CHAPTER TWO BETTING SECTOR

### 2.1 Introduction

Information on the performance of the betting sector that is comprised of the racing promoter, Caymanas Track Limited (CTL) and eleven bookmakers for the fiscal year 2010 – 2011 is provided in this chapter. It should however be noted that in the case of one bookmaker, Olympic Sports Data Services Limited, operated out of the Montego Bay Free Zone and based on the company's free zone status was not liable for the payment of taxes and contributions.

Additionally, Charles Off Betting Limited discontinued the acceptance of wagers in October 2010 and thereafter surrendered their betting permit and as such their performance is reflective of only five months operation, as the company's betting permit was granted in May 2010.

### 2.2 The Betting Sector

The revenue generated throughout the sector was garnered primarily through horse-racing, promoted locally by CTL and conducted at Caymanas Park, the island's only horse racing facility and simulcast racing that is offered to the public by both CTL and four bookmakers. It should be noted that three of such bookmakers also accepted bets on sporting events other than horse racing, while a fourth, Big 'A' Track 2003 Limited accepted wagers on sporting events other than horse racing.

Wagers were accepted from an average of 302 betting offices across the island operated by bookmakers while CTL accepted wagers at Caymanas Park and an average of 63 Off Track Betting (OTB) Parlours located across the island. There was a marginal increase in the number of local race days from 80 for the year ended March 2010 to 85 or by 6% over the review period. In addition to the 85 days of local racing there were also 324 days of simulcast racing by the promoter, 12 more than the 312 of the previous financial year. There were also 52 weeks of overseas racing by bookmakers. The operations of the promoter and bookmakers resulted in sales of \$7.2B, 6% less than the \$7.7B of the previous financial year.

**Table 1** provides information on the sales performance of the promoter over the review period and for the four preceding years, 2007 - 2010. The licensee reported total sales of \$4.3B or 10% less than the \$4.8B of the previous year. Such sales were made up of \$2.5B on local racing and \$1.8B on simulcast racing. Sales on local racing showed a marginal decline of 1%, while that on simulcast racing showed a significant decline of 20%. The decline

recorded in both betting modes occurred despite an increase in the number of local race days from 80 during the fiscal year ended March 2010 to 85 over the review period and from 312 to 324 over the same period in the case of simulcast racing. It should be noted that reported sales over the review period were the smallest over the five year period 2007 – 2011 excepting for 2007 during which \$4B was reported.

TABLE 1  
SUMMARY OF RACING PROMOTER SALES (\$M)  
FISCAL YEARS APRIL 2007 - MARCH 2011

	Y/E MAR. 2007	Y/E MAR. 2008	% CHANGE	Y/E MAR. 2009	% CHANGE	Y/E MAR. 2010	% CHANGE	Y/E MAR. 2011	% CHANGE
<b>RACING PROMOTER</b>									
<b>LOCAL</b>	2,250	2,465	9.54%	2,755	11.79%	2,520	-8.55%	2,505	-0.58%
NO. OF RACE DAYS	83	80		82		80		85	
AVG. SALES	27	31	13.65%	34	9.07%	31	-6.27%	29	-6.43%
<b>SIMULCAST</b>	1,689	1,892	12.00%	2,065	9.17%	2,237	8.30%	1,783	-20.30%
NO. OF RACE DAYS	311	306		310		312		324	
AVG. SALES	5	6	13.83%	7	7.76%	7	7.61%	6	-23.25%
<b>TOTAL</b>	<b>3,939</b>	<b>4,357</b>	<b>10.60%</b>	<b>4,821</b>	<b>10.65%</b>	<b>4,757</b>	<b>-1.33%</b>	<b>4,288</b>	<b>-9.85%</b>

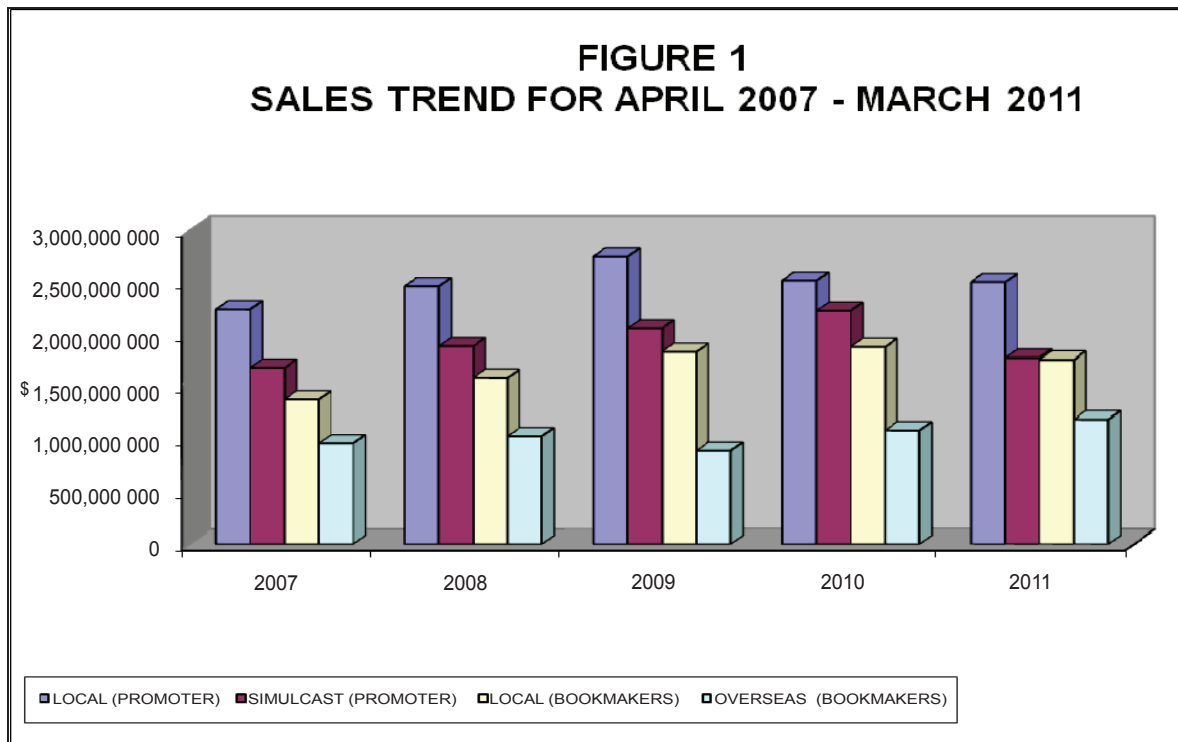
Information on the sales performance of bookmakers for the five years 2007 – 2011 is provided at **Table 2** and **Figure 1**. Such licensees recorded total sales of \$2.9B over the review period or 1% less than the total for the corresponding period of the previous year. Total sales over the review period were made up of \$1.8B on local racing, \$1B on overseas racing and \$120M on sports betting.

A closer examination of such sales shows that there was a 6% decline on local racing, and 1% on overseas racing when compared to the corresponding period of the previous year. In contrast, there was a dramatic increase in sales on other sports betting from \$3M over the corresponding period of the previous year or by 4,334%. This increase was largely responsible for bookmakers experiencing a 10% increase in sales on overseas events when compared to the previous year. It should however be noted that the increase in sports betting was not enough to offset the decrease in wagering on local and overseas racing.

**TABLE 2**  
**SUMMARY OF BOOKMAKERS' SALES (\$'M)**  
**FISCAL YEARS APRIL 2007 - MARCH 2011**

	Y/E MAR. 2007	Y/E MAR. 2008	% CHANGE	Y/E MAR. 2009	% CHANGE	Y/E MAR. 2010	% CHANGE	Y/E MAR. 2011	% CHANGE
<b>BOOKMAKERS</b>									
<b>LOCAL</b>	1,384	1,593	15%	1,838	15%	1,885	3%	1,765	-6%
NO. OF RACE DAYS	83	80		82		80		85	
AVG. SALES	17	20	19%	22	12%	24	5%	21	-12%
	-	-		-		-		-	
<b>OVERSEAS</b>	928	1,000	8%	889	-11%	1,086	22%	1,074	-1%
NO. OF RACE WEEKS	52	52		52		52		52	
AVG. SALES	18	19	8%	17	-11%	21	22%	21	-1%
<b>OTHER SPORTING EVENTS</b>	37	33	-9%	4	-89%	3	-25%	120	4334%
NO. OF RACE WEEKS	52	52		52		52		52	
AVG. SALES	0.7	0.6	-9%	0.06	-89%	0.05	-25%	2	4334%
<b>TOTAL FOR OVERSEAS</b>	965	1,033	7%	893	-14%	1,089	22%	1,193	10%
<b>TOTAL FOR BOOKMAKERS</b>	2,348	2,626	12%	2,731	4%	2,974	9%	2,958	-1%
<b>TOTAL FOR RACING PROMOTER</b>	3,939	4,357	11%	4,821	-10%	4,756	-1%	4,287	-10%
<b>INDUSTRY TOTAL</b>	6,288	6,983	11%	7,552	8%	7,731	2%	7,246	-6%

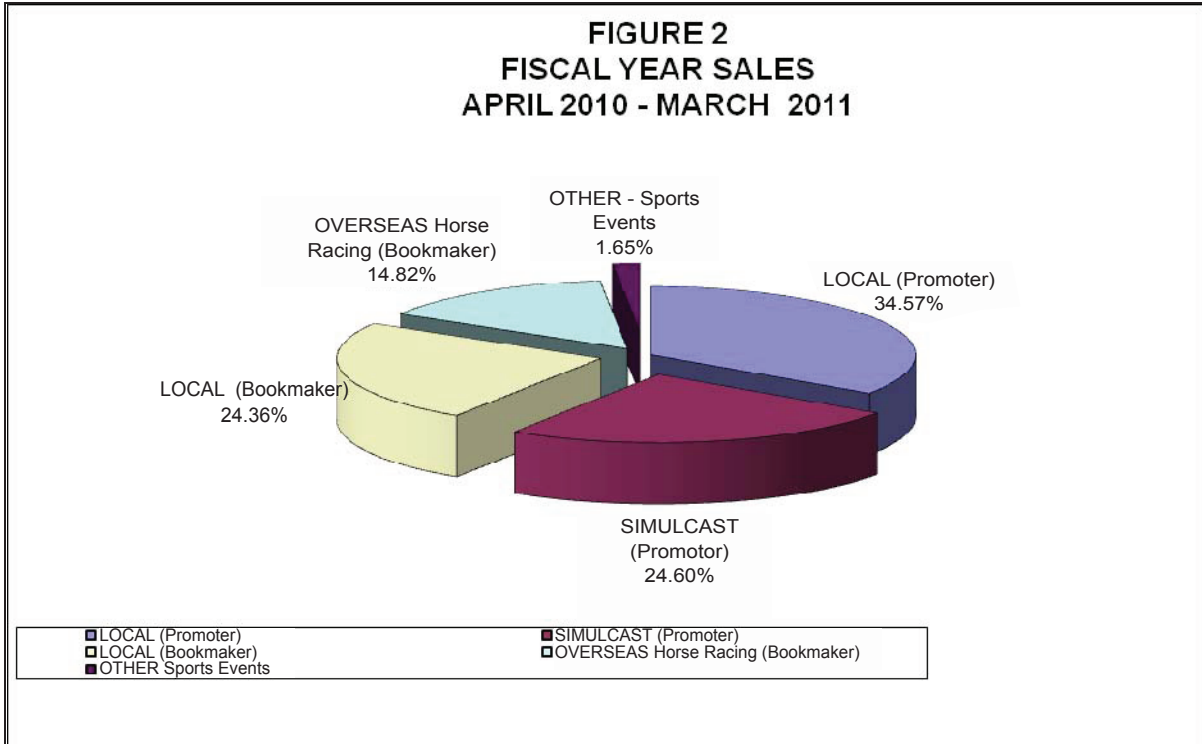
**FIGURE 1**  
**SALES TREND FOR APRIL 2007 - MARCH 2011**



**2.3 Competition**

Figure 2 provides a graphic overview of the promoter’s dominance in terms of sales within the sector. It shows that the company was responsible for 59% of sales, some three percentage points below the 62% of the corresponding period of the previous year. This decline should however be viewed against the background of the 2% in sales recorded on sports betting by bookmakers over the same period as wagering on such events increased

from less than 1% recorded in 2009 – 2010 to the 2% over the review period. The 39% in sales recorded by bookmakers on horse racing over the review period was marginally above the 38% of the corresponding period of the previous year.



**Table 3** details the sales performance of each bookmaker over the review period. Champion Betting Co. Limited continues to be the leading bookmaker and from a complement of 81 betting offices recorded sales of \$531M on local racing, \$494M on overseas racing and \$9M on sports betting for a total of over \$1B. They were followed by Track Price Plus Limited with a complement of 64 betting offices with sales of \$493M on local racing, \$344M on overseas racing and \$14M on sports betting for a total of \$851M. Both companies operated a total of 145 or 48% of the 302 betting offices that accepted wagers over the review period and were responsible for 64% of the \$3B in sales reported by such licensees across the sector.

At the other end of the spectrum Post to Post Betting Limited and Summit Betting Co. Limited operated a single betting office each and reported sales of \$791K and \$614K respectively and as such were only responsible for 1% of the total sales generated by bookmakers.

It should also be noted that the four bookmakers that accepted wagers on sporting events other than horse racing reported sales of \$120M from 41 betting offices. Of this total, Big 'A' Track 2003 Limited was responsible for \$60M or 50% and was followed by Markham Betting Co. Limited with sales of \$36M or 30% of the total sales on such events.

FISCAL YEAR APRIL 2010 - MARCH 2011						
BOOKMAKERS	LOCAL RACING		OVERSEAS RACING		OTHER SPORTING EVENTS	
	SALES	NO. OF BETTING OFFICES	SALES	NO. OF BETTING OFFICES	SALES	NO. OF BETTING OFFICES
	\$	OPERATED	\$	OPERATED	\$	OPERATED
BIG "A" TRACK 2003 LTD	N/A	N/A	N/A	N/A	60	20
CAPITAL BETTING & WAGERING LTD	137	37	N/A	N/A	N/A	N/A
CARIBBEAN TURF SERVICE LTD	117	16	N/A	N/A	N/A	N/A
CHAMPION BETTING COMPANY LTD	531	81	494	57	9	9
CHARLES OFF BETTING LTD	12	25	N/A	N/A	N/A	N/A
IDEAL BETTING COMPANY LTD	144	26	80	15	N/A	N/A
MARKHAM BETTING COMPANY LTD	330	51	156	31	36	6
POST TO POST BETTING LTD	1	1	N/A	N/A	N/A	N/A
SUMMIT BETTING COMPANY LTD	1	1	N/A	N/A	N/A	N/A
TRACK PRICE PLUS LTD	493	64	344	48	14	6
<b>TOTAL</b>	<b>1765</b>	<b>302</b>	<b>1074</b>	<b>151</b>	<b>120</b>	<b>41</b>

BOOKMAKERS	HORSE RACING	OTHER EVENTS
CHAMPION BETTING LTD	299	0
MARKHAM BETTING LTD	114	0
TRACK PRICE PLUS LTD	337	4
<b>TOTAL</b>	<b>749</b>	<b>4</b>

**Table 4** provides a comparison of the reported sales by individual bookmakers over the review period and that of the fiscal year 2009-2010. It shows that Big 'A' Track 2003 Limited recorded the largest increase of 2,195% with sales moving from \$3M over the previous financial year to the \$60M previously mentioned. In the case of sales on local racing, Summit Betting Co. Limited with its single betting office recorded the largest increase of 405% on this betting mode moving from \$122K to \$614K as was previously mentioned.

However, of the companies that operated multiple betting offices, Ideal Betting Co. Limited reported the largest increase as sales progressed from \$110M for fiscal year 2009 – 2010, to \$144M an increase of 31% over the review period. On the converse of the companies that operated throughout the review period, Capital Betting and Wagering Limited recorded the largest decline of 16% with sales slipping from \$163M over the previous financial year to \$137M over the review period. This decline may be attributed to a reduction in the number of betting offices operated by the company from 53 in fiscal year 2009 – 2010, to 37 over the review period.

TABLE 4  
BOOKMAKERS' COMPARATIVE SALES (\$'M)  
FISCAL YEAR ENDED MARCH 2010 AND MARCH 2011

BOOKMAKERS	LOCAL	LOCAL	%	OVERSEAS	OVERSEAS	%	OTHER SPORT	OTHER SPORT	%
	2010	2011	CHANGE	2010	2011	CHANGE	EVENTS 2010	EVENTS 2011	CHANGE
BIG "A" TRACK 2003 LTD	0.07		-100.00%	N/A	N/A	N/A	3	60	2194.84%
CAPITAL BETTING & WAGERING LTD	163	137	-15.95%	N/A	N/A	N/A	N/A	N/A	N/A
CARIBBEAN TURF SERVICE LTD	135	117	-13.33%	N/A	N/A	N/A	N/A	N/A	N/A
CHAMPION BETTING COMPANY LTD	580	531	-8.45%	469	494	5.33%	-	9	100.00%
CHARLES OFF BETTING LTD	47	12	-74.47%	N/A	N/A		N/A	N/A	N/A
IDEAL BETTING COMPANY LTD	110	144	30.91%	78	80	2.56%	N/A	N/A	N/A
MARKHAM BETTING COMPANY LTD	324	330	1.85%	140	156	11.43%	-	36	100.00%
POST TO POST BETTING LTD	0.3	0.7	160.42%	N/A	N/A	N/A	N/A	N/A	N/A
SUMMIT BETTING COMPANY LTD	0.1	0.6	404.51%	N/A	N/A	N/A	N/A	N/A	N/A
TRACK PRICE PLUS LTD	525	493	-6.10%	399	344	13.78%	0.06	14	21542.99%
<b>TOTAL</b>	<b>1,885</b>	<b>1,765</b>	<b>-6.37%</b>	<b>1,086</b>	<b>1,074</b>	<b>1.19%</b>	<b>3</b>	<b>120</b>	<b>4333.81%</b>

**Table 5** details the payouts recorded by bookmakers on local and overseas racing and also that on sports betting. Payouts on local racing were over \$1B, some 6% less than the total recorded over the corresponding period of the previous year. Champion Betting Co. Limited reported the largest payouts of \$339M, 7% less than the \$366M of the corresponding period of the previous year. They were followed by Track Price Plus Limited with payouts of \$325M or 8% less than the \$353M of the previous financial year. The two companies that operated one betting office each recorded the lowest payouts of \$253K in the case of Summit Betting Co. Limited; and \$414K in the case of Post to Post Betting Limited.

Payouts on overseas racing totaled \$712M or 2% less than the \$723M of the corresponding period of the previous year. Champion Betting Co. Limited recorded the largest payouts of \$327M or 4% more than the \$314M of the corresponding period of the previous year. As was the case with local racing, Track Price Plus Limited reported the second largest payouts of \$228M on this betting mode. This total was some 15% less than the \$267M of the corresponding period of the previous year. In total there was a decrease in the reported payouts on this betting mode from \$723M in fiscal year 2009 – 2010 to \$712M over the review period.

The increased emphasis on sports betting contributed to an increase in the sales recorded on such events. Payouts also increased by all of 5563%, moving from \$2M in fiscal year 2009-2010 to \$85M over the review period. Big 'A' Track 2003 Limited reported the largest payouts on such events of \$37M or 2,431% more than the \$1M of the corresponding period of the previous year. They were followed by Markham Betting Co. Limited with payouts of \$28M, a 100% increase as the company did not report wagers on this betting mode over the corresponding period of the previous year and as such there were no reported payouts over that period.

TABLE 5  
BOOKMAKERS' COMPARATIVE PAYOUTS (\$'M)  
FISCAL YEAR ENDED MARCH 2010 AND MARCH 2011

BOOKMAKERS	LOCAL 2010	LOCAL 2011	% CHANGE	OVERSEAS 2010	OVERSEAS 2011	% CHANGE	OTHER SPORT EVENTS 2010	OTHER SPORT EVENTS 2011	% CHANGE
BIG "A" TRACK 2003 LTD	0.07	0	-100%	N/A	N/A	100%	1	37	2430%
CAPITAL BETTING & WAGERING LTD	105	87	-17%	N/A	N/A	N/A	N/A	N/A	N/A
CARIBBEAN TURF SERVICE LTD	86	71	-17%	N/A	N/A	N/A	N/A	N/A	N/A
CHAMPION BETTING COMPANY LTD	366	339	-7%	314	327	4%	0	8	100%
CHARLES OFF BETTING LTD	30	7	-76%	N/A	N/A	N/A	N/A	N/A	N/A
IDEAL BETTING COMPANY LTD	71	96	35%	51	53	4%	N/A	N/A	N/A
MARKHAM BETTING COMPANY LTD	218	223	2%	91	104	14%	0	28	100%
POST TO POST BETTING LTD	0.1	0.4	197%	N/A	N/A	N/A	N/A	N/A	N/A
SUMMIT BETTING COMPANY LTD	0.04	0.2	408%	N/A	N/A	N/A	N/A	N/A	N/A
TRACK PRICE PLUS LTD	353	325	-8%	267	228	-15%	0.04	12	24655%
<b>TOTAL</b>	<b>1229</b>	<b>1149</b>	<b>6%</b>	<b>723</b>	<b>712</b>	<b>-1.52%</b>	<b>2</b>	<b>85</b>	<b>5562%</b>

## 2.4 Profitability

The gross profits reported by each bookmaker over the review period are at **Table 6**. Bookmakers recorded total sales of \$3B and payouts of \$2B, thus realizing gross profits of \$1B or 34% of sales. Total payouts as a percentage of sales were 66% with Markham Betting Co. Limited recording the largest percentage of sales of 68%. This was realized from sales of \$521M and payouts of \$356M. On the converse, of the bookmakers that operated for the entire review period and operated multiple betting offices, Caribbean Turf Service Limited reported the smallest payouts as a percentage of sales of 61% from sales of \$117M and payouts of \$71M.

Total gross profits as a percentage of sales were 34%. Of the companies that operated for the entire review period and accepted wagers from multiple betting offices, Caribbean Turf Service Limited reported the largest gross profits as a percentage of sales of 39%. It should however be noted that Summit Betting Co. Limited reported the largest gross profits as a percentage of sales of 58% from the one betting office operated by the company.



**TABLE 6**  
**INDIVIDUAL BOOKMAKERS GROSS PROFIT (\$'M)**  
**FISCAL YEAR APRIL 2010 - MARCH 2011**

BOOKMAKERS	SALES	PAYOUTS	PAYOUT AS A % OF SALES	GROSS PROFIT	GROSS PROFIT AS % OF SALES
BIG "A" TRACK 2003 LTD	60	37	62%	23	38%
CAPITAL BETTING & WAGERING LTD	137	87	64%	50	36%
CARIBBEAN TURF SERVICE LTD	117	71	61%	46	39%
CHAMPION BETTING COMPANY LTD	1034	674	65%	360	35%
CHARLES OFF BETTING LTD	12	7	58%	5	42%
IDEAL BETTING COMPANY LTD	225	149	66%	76	34%
MARKHAM BETTING COMPANY LTD	521	356	68%	165	32%
POST TO POST BETTING LTD	0.7	0.4	52%	0.3	47%
SUMMIT BETTING COMPANY LTD	0.6	0.2	41%	0.3	58%
TRACK PRICE PLUS LTD	851	565	66%	286	34%
<b>TOTAL</b>	<b>2958</b>	<b>1947</b>	<b>66%</b>	<b>1012</b>	<b>34%</b>

Details on the average sales, payouts and profits realized by each bookmaker are provided at **Table 7**. It shows that average gross profits per betting office were \$3M, from the total average sales of \$9M and a total average payout of \$6M. The **Table** also shows that Track Price Plus Limited recorded the largest average gross profit of just over \$4M from average sales of \$13M and average payouts of \$9M. On the converse, Charles Off Betting Co. Limited recorded the smallest average gross profit of \$211K from average sales and payouts of \$500K and \$288K respectively. It should however be remembered that the company only operated for five months of the financial year.

**TABLE 7**  
**INDIVIDUAL BOOKMAKERS AVERAGE**  
**SALES, PAYOUTS & GROSS PROFIT (\$'M)**  
**FISCAL YEAR APRIL 2010 - MARCH 2011**

BOOKMAKERS	BETTING OFFICES	TOTAL SALES	AVERAGE SALES	TOTAL PAYOUTS	AVERAGE PAYOUTS	GROSS PROFIT	AVERAGE GROSS PROFIT
BIG "A" TRACK 2003 LTD	20	60	3	37	2	23	1
CAPITAL BETTING & WAGERING LTD	37	137	4	87	2	50	1
CARIBBEAN TURF SERVICE LTD	16	117	7	71	4	46	3
CHAMPION BETTING COMPANY LTD	81	1034	13	674	8	360	4
CHARLES OFF BETTING LTD	25	12	0.4	7	0.2	5	0.2
IDEAL BETTING COMPANY LTD	26	225	9	149	6	76	3
MARKHAM BETTING COMPANY LTD	51	521	10	356	7	165	3
POST TO POST BETTING LTD	1	0.7	0.7	0.4	0.4	0.3	0.3
SUMMIT BETTING COMPANY LTD	1	0.6	0.6	0.2	0.2	0.3	0.3
TRACK PRICE PLUS LTD	64	851	13	565	9	286	4
<b>TOTAL</b>	<b>322</b>	<b>2958</b>	<b>9</b>	<b>1947</b>	<b>6</b>	<b>1012</b>	<b>3</b>

## 2.5 Government Revenue

Information on the taxes, duties and levies payable and paid for the review period is at **Table 8**. A total of \$227M of the \$230M payable was liquidated. This total was comprised of \$167M by bookmakers and \$60M by the promoter. An examination of the **Table 8** shows that the total paid by bookmakers was in excess of the \$164M payable as outstanding amounts from the previous year were liquidated over the review period. The bookmakers' total was made up of \$104M from the profits on local racing and \$63M from the profits on overseas racing and other sporting events. The total paid from the profits on overseas racing and other sporting events was made up of \$32M from overseas racing and \$3M from other sporting events.

The \$60M paid by the promoter was some 8% less than the \$66M payable and was comprised of \$16M from the profits on local racing and \$44M from the profits on simulcast racing.

**TABLE 8**  
**TAXES, DUTIES & LEVIES**  
**PAYABLE AND PAID (\$'M)**  
**FISCAL YEAR APRIL 2010 TO MARCH 2011**

BETTING MODE	TAXES, DUTIES & LEVIES	PAYABLE	PAID
<b><u>BOOKMAKERS</u></b>			
<b>LOCAL RACING</b>	9% GROSS PROFIT TAX	55.4	56.5
	3% CONTRIBUTION TO BGLC	18.4	18.9
	4.5% CONTRIBUTION TO JRC	27.7	28.3
	\$80 SPECIFIC LEVY	0.05	0.1
	<b>TOTAL</b>	<b>101.6</b>	<b>103.8</b>
<b>OVERSEAS RACING</b>	9% GROSS PROFIT TAX	32.6	32.5
	3% CONTRIBUTION TO BGLC	10.9	10.8
	4.5% CONTRIBUTION TO JRC	16.3	16.2
	<b>TOTAL</b>	<b>62.7</b>	<b>62.9</b>
<b>SPORTS EVENTS</b>	7% GROSS PROFIT TAX	2.0	2.6
	1% CONTRIBUTIONS TO BGLC	0.3	0.3
	1% CONTRIBUTIONS TO CHASE FUND	0.3	0.3
	<b>TOTAL</b>	<b>62.7</b>	<b>62.9</b>
	<b>TOTAL FOR BOOKMAKERS</b>	<b>164.4</b>	<b>166.8</b>
<b><u>RACING PROMOTER</u></b>			
<b>LOCAL RACING</b>	2% GROSS PROFIT TAX	4.8	4.3
	1% CONTRIBUTION TO BGLC	2.4	2.2
	4.5% CONTRIBUTION TO JRC	10.9	9.7
	<b>TOTAL</b>	<b>18.3</b>	<b>16.0</b>
<b>SIMULCAST RACING</b>	2% GROSS PROFIT TAX	12.7	11.7
	1% CONTRIBUTION TO BGLC	6.4	5.8
	4.5% CONTRIBUTION TO JRC	28.6	26.5
	<b>TOTAL</b>	<b>47.7</b>	<b>44.2</b>
<b>TOTAL FOR RACING PROMOTER</b>	<b>66.0</b>	<b>60.4</b>	
<b>TOTAL FOR INDUSTRY</b>	<b>230.4</b>	<b>227.2</b>	

Provided at **Table 9** are details on the First Instance Tribunal hearings that were completed during the course of the review period. A total of eight matters were completed with penalties of \$1M being imposed on 141 charges.

The largest penalty of \$400K was imposed on Capital Betting and Wagering Limited for failing to produce the original of payout sheets at certain betting offices. The bookmaker appealed the decision of the First Instance Tribunal, but later withdrew that appeal.

**Table 9**  
**COMPLETED TRIBUNAL HEARINGS**  
**APRIL 2010 – MARCH 2011**

<b>DATE OF DECISION</b>	<b>NAME OF LICENCEES</b>	<b>BREACH</b>	<b>NO. OF CHARGES</b>	<b>PENALTY IMPOSED</b>
April 20, 2010	Capital Betting and Wagering Limited	Non submission of Receipts and Returns	9	\$9000 per charge totaling \$81,000
May 4, 2010	Capital Betting and Wagering Limited	Failed to produce the original of Payout sheets	8	\$50,000 per charge totaling \$400,000
May 6, 2010	Capital Betting and Wagering Limited	Dividend entered on payout sheet in excess of the amount payable	27	\$5000 per charge totaling \$135,000
May 6, 2010	Capital Betting and Wagering Limited	Dividend entered on payout sheet in excess of the amount payable	23	(reduced to 17) \$5000 per charge totaling \$85,000
May 6, 2010	Capital Betting and Wagering Limited	Dividend entered on payout sheet in excess of the amount payable	11	(reduced to 6) \$5000 per charge totaling \$30,000
May 6, 2010	Capital Betting and Wagering Limited	Dividend entered on payout sheet in excess of the amount payable	12	(reduced to 4) \$5000 per charge totaling \$20,000
July 20, 2010	Big 'A' Track 2003 Ltd	Dividend entered on payout sheet in excess of the amount payable	48	\$7000 per charge totaling \$336,000
July 20, 2010	Capital Betting and Wagering Limited	Incorrect prefix letter on vouchers (Port Morant)	3	\$35,000 per charge totaling \$105,000
		<b>TOTAL</b>	<b>141</b>	<b>\$1,192,000</b>

## **2.6 Conclusion**

The downturn in the sector is perhaps reflective of the difficult economic times facing the country. Sales on both local and overseas racing were less than that reported over the corresponding period of the previous year. It should be noted that the downturn was more pronounced with respect to the sales on overseas racing with the promoter experiencing a decline of 20% when compared to the corresponding period of the previous year. The emerging emphasis on sports betting was the significant area of improvement and it is anticipated that wagering on such events will continue to show progress over time.

## CHAPTER THREE LOTTERIES SECTOR

### 3.1 Summary

The lottery company Supreme Ventures Lotteries Limited (SVLL) offered several lottery type games throughout the period under review – Lotto, Super Lotto, Pick3, Dollaz!, Lucky5, Instant games and Cash Pot. In addition, Supreme Ventures Lotteries started a new game – “Pick 2” on Monday, December 13, 2010 and was also granted a license to start a “Pick 4” game.

During the year the Commission collected \$222 million from all lotteries combined.

<b>TABLE 1</b>	
<b>SUMMARY OF INCOME FROM LOTTERIES FISCAL Y/E 2011</b>	
<b>Lottery Sales</b>	\$22 billion, a 4.6% increase
<b>Government Levy</b>	\$1.5 billion, an increase of 1%
<b>Contribution to the CHASE Fund</b>	\$1.1 billion, an increase of 1.9%
<b>Contribution to the BGLC</b>	\$222 million, an increase of 12.56%
<b>Lottery Fees paid</b>	\$18.8 million

#### **Super Lotto and Lotto Jackpots**

The Super Lotto game, introduced on August 20, 2009, had its first winner on October 8, 2010. Mr. John Halley from St. Maarten was the sole winner of the advertised jackpot of US\$5.4 million, which was the equivalent of J\$467 million. After receiving approval from the Commission, the matrix for the Super Lotto game was modified effective December 11, 2010. The new matrix went into effect for draw 133 conducted on Tuesday, December 14, 2010. Players are now required to select five numbers from thirty five and the Super Ball from ten numbers. Super Lotto performance has not met the expectations SVLL had for this game. See details of the Super Lotto sales, payouts and contributions below.

#### **SUPER LOTTO FISCAL Y/E 2011**

<b>Sales</b>	501,085,250.00
<b>Payouts</b>	68,561,220.00
<b>Levies</b>	88,080,365.00
<b>Contributions to CHASE</b>	38,188,441.00
<b>Contributions to BGLC</b>	7,659,168.00

Following last year's unprecedented Lotto jackpot of \$240 million, this period saw a Lotto jackpot high of \$100 million on Saturday, January 29, 2011.

### **3.2 Lottery Sales**

During the fiscal year 2010/2011, lottery sales for all games were \$22 billion in comparison to \$21 billion in 2009/2010. This showed a 4.6% increase over sales of the previous fiscal year.

#### **Pick 2**

The sales for the newly added Pick 2 game totaled \$232 million for the year.

#### **Increased Sales**

##### **Super Lotto**

The sales for the Super Lotto game increased by 9.56% compared to similar period in the previous year. Sales for this game were \$501 million compared to \$457 million in the previous year.

##### **Pick 3**

The sales for the Pick3 game increased by 34.04% compared to similar period in the previous year. Sales for this game were \$2.8 billion compared to \$2.1 billion in the previous year.

##### **Cash Pot**

For the period under review, the Cash Pot game realized sales of \$16.7 billion, a 2% increase over the similar period for the previous fiscal year. Cash Pot was the leading earner for SVLL, contributing 73% of the sector sales for the fiscal year ending March 2011.

#### **Decreased Sales**

##### **Lotto**

During the period, Lotto sales fell by 18.72% when compared to sales over the similar period of the previous year. The Lotto game sales were \$1.07 billion, while that of the previous year were \$1.3 billion.

##### **Instant**

The sales for the Instant game decreased over the previous fiscal year by 27%. The sales for 2011 were \$75 million compared to \$104 million for the fiscal year 2010.



**Lucky5**

The sales for the Lucky5 game decreased by 9.64% compared to the corresponding period for the previous year. The sales recorded for this game were \$476 million for the fiscal year ending 2011 compared to \$526 million for the fiscal year ending March 2010.

**Dollaz!**

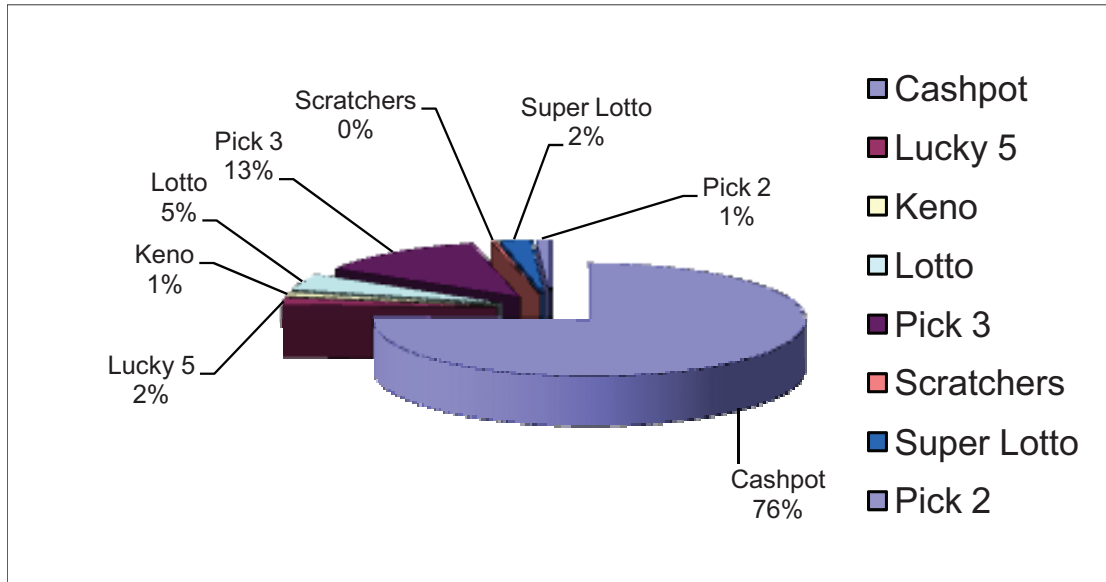
The Dollaz! game realized sales of \$260 million compared to \$276 million, a 5.89% decrease in sales over the comparable period of the previous year.

**Table 2** below shows comparative lottery sales for the fiscal year ending 2011 vs. 2010, while **Figure 1** shows share of lottery sales by games. **Figure 2** shows lottery sales trend for fiscal years 2005-2010 and **Figure 3** shows lottery sales trends for the fiscal year ending 2011.

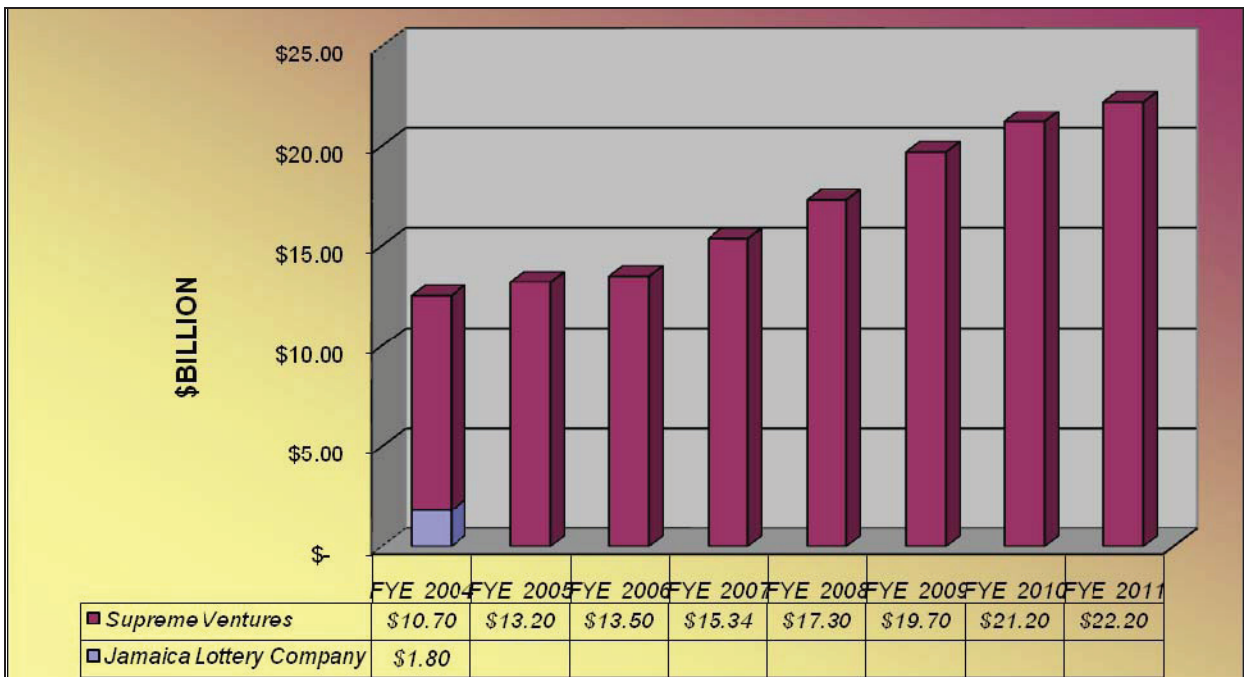
**TABLE 2**  
**COMPARATIVE LOTTERY SALES (\$'M)**  
**FISCAL Y/E 2011 vs. 2010**

GAMES	FISCAL Y/E 2011	FISCAL Y/E 2010	%
Cashpot	16,765	16,441	1.97%
Lucky 5	476	526	-9.64%
Keno	260	276	-5.89%
Lotto	1,067	1,312	-18.72%
Pick 3	2,825	2,107	34.04%
Scratchers	75	104	-27.90%
Super Lotto	501	457	9.56%
Pick 2	232	-	100.00%
<b>TOTAL</b>	<b>22,200</b>	<b>21,225</b>	<b>4.60%</b>

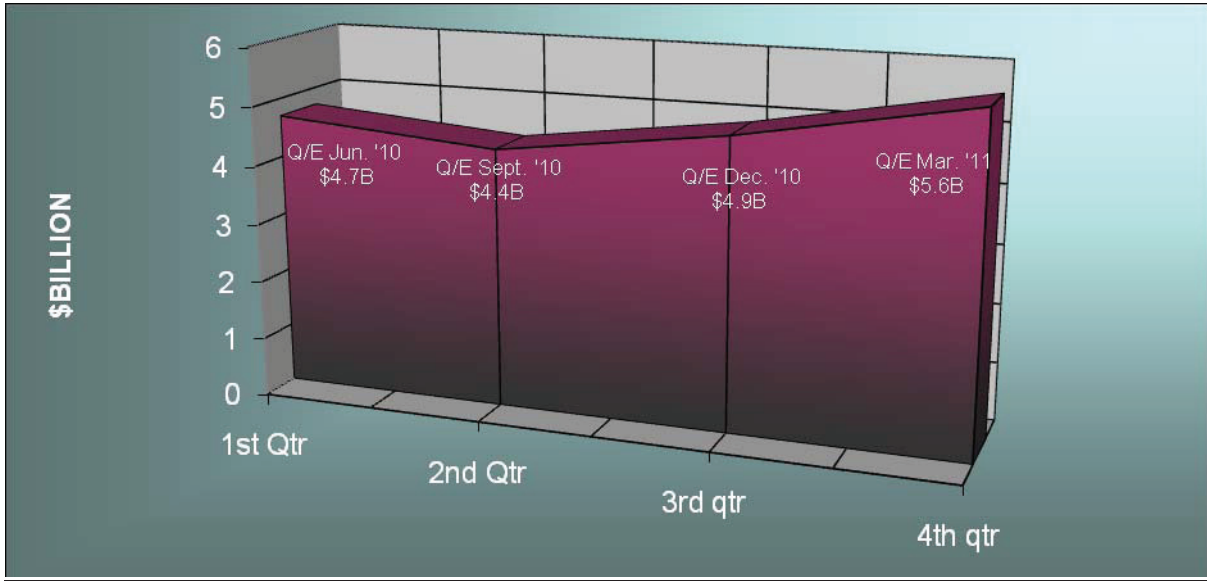
**FIGURE 1  
SHARE OF LOTTERY SALES BY GAME  
FISCAL Y/E 2011**



**FIGURE 2  
LOTTERY SALES TREND  
FISCAL Y/E 2004 – 2011**



**FIGURE 3  
 LOTTERY SALES TREND  
 FISCAL Y/E MARCH 2011**



**3.3 Prize Liability**

During the fiscal year ending March 2011, overall lottery prize liability was \$14.9 billion or 67.4% of sales. This was 1.5% below expected liability of 68.9%.

**Instant**

The Instant game payout was \$44 million or 58.98% of prize liability for the period ending March 2011.

**Increased Liabilities**

**Lucky5**

The Lucky5 game liability was 53.42% compared to expected liability of 50.90% this was 2.82% more than expected liability for the fiscal year ended on March 2011. The total liability payout for this game during the year was \$254 million.

**Lotto**

The Lotto game payout for the fiscal year ending March 2011 was \$560 million or 52.54% of sales. This shows a .55% greater than expected liability of 52%.

### **Pick3**

The Pick3 game payout for the fiscal year was \$1.7 billion or 61.55% of sales. This is 1.55% more than expected liability of 60%.

### **Decreased Liabilities**

#### **Cash Pot**

The Cash Pot game liability for the period was 71.74% or 0.26% below expected liability of 72%. The total liability payout by the Cash Pot game was \$12 billion for the fiscal year ending March 2011.

#### **Dollaz!**

The Dollaz! game payout for the period was \$140 million which shows a prize liability of 53.72% or 1.08% less than expected payout of 54.8%.

#### **Pick2**

The Pick2 game payout for the fiscal year ended March 2011 was \$130 million or 56.06% of sales, less than the expected payout of 57.87%.

#### **Super Lotto**

The Super Lotto game payout for the fiscal year ended March 2011 was \$69 million or 13.68% of sales. This shows 36.32% less than expected liability of 50%. These figures should be viewed in light of two points of special note for Super Lotto. Firstly, as a multi-jurisdictional game, Jamaica pays only a portion of the Jackpot commensurate with predetermined splits according to the terms of the contractual agreement between participating jurisdictions. Secondly, the accounts for the Super Lotto are reset with each round of the game, following a full jackpot payout, rather than by the fiscal year. The only Super Lotto Jackpot to date was October 2010.

**Table 3** below shows the prize liabilities for all lottery games for the fiscal year ending March 2011.

**TABLE 3**  
**LOTTERY PRIZE LIABILITY (\$'M)**  
**FISCAL Y/E 2011**

GAMES	FISCAL Y/E 2011		ACTUAL LIABILITY	EXPECTED LIABILITY
	SALES	PAYOUTS		
Cashpot	16,765	12,026	71.74%	72.00%
Lucky 5	476	254	53.42%	50.90%
Keno	260	140	53.72%	54.80%
Lotto	1,067	560	52.54%	52.00%
Pick 3	2,825	1,739	61.55%	60.00%
Scratchers	75	44	58.98%	-
Super Lotto	501	69	13.68%	50.00%
Pick 2	232	130	56.06%	57.87%
<b>TOTAL</b>	<b>22,200</b>	<b>14,962</b>	<b>67.40%</b>	<b>68.90%</b>

### 3.4 Government Revenue

#### 17% Lottery Tax & 15% Bet Winnings Tax

During the fiscal year ending March 2011, total Government Levies payable from all lottery games was \$1.5 billion, inclusive of Bet Winnings Tax. This was a 14.08% increase in Government Levies payable over the similar period ending March 2010. The Lucky5, Pick3 and Super Lotto games were the main contributors to this increase, since all games recorded increases over the previous year. The Lucky5 game increased by 7.81%, Pick3 by 24.9% and Super Lotto by 9.56%. The Cash Pot game decreased by 0.68%, Dollaz! decreased by 7.46%, Lotto by 18.72% and Instant games by 28.9%

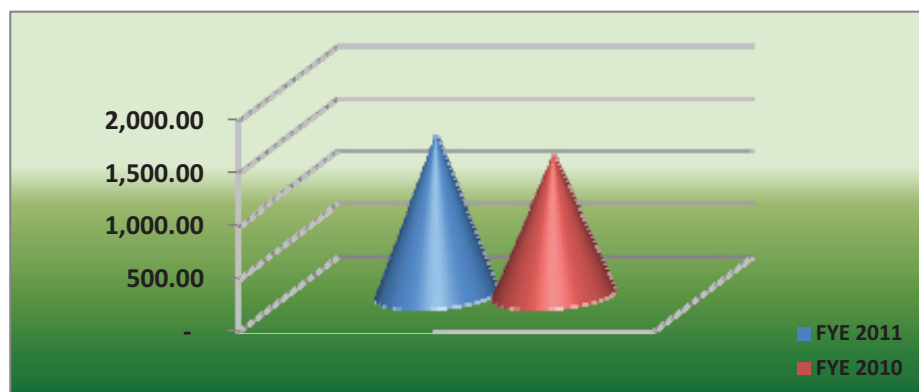
Bet Winning Tax for the year ended March 2011 was \$267 million compared to \$105 million in 2010 an increase of over previous period by 155.73%.

**Table 4** below shows the government levy payable for the fiscal year ending March 2011. **Figure 4** shows the comparative levy payable for the period.

**TABLE 4**  
**GOVERNMENT LEVY PAYABLE (\$'M)**  
**FISCAL Y/E 2011 vs. 2010**

GAMES	FISCAL Y/E 2011	FISCAL Y/E 2010	%
Cashpot	806	811	-0.68%
Lucky 5	38	35	7.81%
Keno	28	30	-7.46%
Lotto	118	145	-18.72%
Pick 3	185	148	24.94%
Scratchers	5	7	-28.90%
Super Lotto	58	53	9.56%
Pick 2	17		100.00%
<b>Sub-Total</b>	<b>1,253</b>	<b>1,229</b>	<b>2.03%</b>
<b>BWT PAID</b>	<b>267</b>	<b>105</b>	<b>155.73%</b>
<b>TOTAL</b>	<b>1,521</b>	<b>1,333</b>	<b>14.08%</b>

**FIGURE 4**  
**COMPARATIVE LEVY PAYABLE**  
**FISCAL Y/E 2011 vs. 2010**



### 3.5 CHASE Fund Contributions

Contributions to good causes for the fiscal year showed a 1.9% increase over the similar period in 2010. The total contribution was \$1.09 billion compared to \$1.07 billion in 2010. The main contributor to this increase was the Cash Pot game. Although the contribution from this game decreased by 0.4% compared to the previous fiscal year, its total contribution was \$737 million. The Pick3 game was also a major contributor, increasing by 33.1%, over

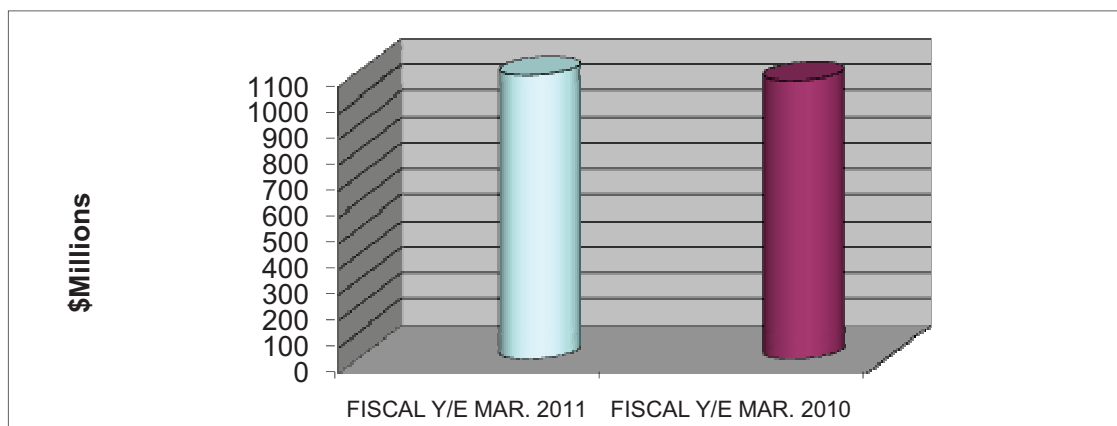
similar period in 2010. The Lucky5 game, Dollaz! and Lotto games decreased by 12.1%, 4.2%, and 17.6%, respectively. The Super Lotto contribution to good causes including unclaimed prizes was \$46 million.

**Table 5** below shows the contribution to the CHASE Fund per game and **Figure 5** shows the comparative contributions payable for fiscal ended 2011 v 2010.

**TABLE 5**  
**CONTRIBUTIONS TO THE CHASE FUND (\$'M)**  
**FISCAL Y/E 2011 vs. 2010**

GAMES	FISCAL Y/E MARCH 2011			FISCAL Y/E MARCH 2010			%
	From Sales	From U/C Prizes	Total	From Sales	From U/C Prizes	Total	
Cashpot	711	27	737	716	25	741	-0.4%
Lucky 5	36	6	41	39	7	47	-12.1%
Keno	19	6	25	21	6	27	-4.2%
Lotto	80	11	91	98	12	110	-17.6%
Pick 3	118	15	133	88	12	100	33.1%
Scratchers	6	n/a	6	8	n/a	8	-27.9%
Super Lotto	38	9	46	34	2	36	128.3%
Pick 2	10	1	10				100.0%
<b>TOTAL</b>	<b>1,017</b>	<b>73</b>	<b>1,090</b>	<b>1,004</b>	<b>64</b>	<b>1,068</b>	<b>0.0204</b>

**FIGURE 5**  
**COMPARATIVE CONTRIBUTIONS PAYABLE**  
**FISCAL Y/E 2011 vs. 2010**





### 3.6 BGLC Contributions

The Betting, Gaming & Lotteries Commission received a total of \$222 million from the sales of lottery games in 2011. This showed an increase of 4.60% over the same period in 2010. The Cash Pot game accounted for a major part of this increase: income from that game was \$168 million a 1.97% increase over similar period in 2010. The Pick3 and Super Lotto games recorded increases in payments to the Commission. The increases recorded were 34.04% and 9.56% respectively. The contributions from the Lucky5, Dollaz!, Lotto and Instant games declined over the period by 9.64%, 5.89%, 18.72% and 27.9% respectively.

**Table 6** below shows the BGLC 1% fee payable by game for the fiscal years 2011 vs. 2010.

**TABLE 6**  
**BGLC 1% FEE PAYABLE BY GAME (\$'M)**  
**FISCAL Y/E 2011 vs. 2010**

<b>GAMES</b>	<b>FISCAL Y/E 2011</b>	<b>FISCAL Y/E 2010</b>	<b>%</b>
Cashpot	168	164	1.97%
Lucky 5	5	5	-9.64%
Keno	3	3	-5.89%
Lotto	11	13	-18.72%
Pick 3	28	21	34.04%
Scratchers	0.7	1	-27.90%
Super Lotto	5	5	9.56%
Pick 2	2	0	100.00%
<b>TOTAL</b>	<b>222</b>	<b>212</b>	<b>4.60%</b>

## CHAPTER FOUR GAMING SECTOR

**TABLE 1  
GAMING SECTOR INCOME FOR FISCAL Y/E 2011**

<b>Fees received from 5,058 Gaming Machine License Applications</b>	\$12.5 million
<b>Gaming Machines Levy to Consolidated Fund</b>	\$25.5 million
<b>Gaming Lounges Contribution to Consolidated Fund</b>	\$164 million
<b>Gaming Lounges Contribution to CHASE Fund</b>	\$25 million
<b>Gaming Lounges Contribution to BGLC</b>	\$62 million

### 4.1 Summary

The Commission received \$12.5 million in Application Fees from gaming machines and \$62 million in total Contributions from gaming lounge operations.

From activities at gaming lounges there were a total of \$251 million paid by fifteen locations to the Consolidated Fund, the CHASE Fund and the Commission, representing 10% of their profit for the period under review.

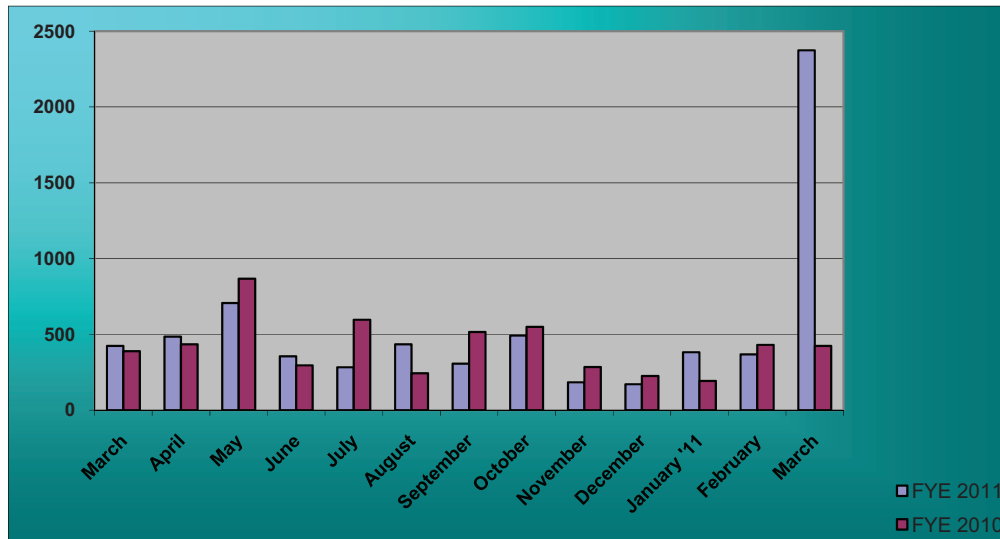
During the year the Commission received 6,541 applications for gaming machines. These include payments made to the Consolidated Fund and to the Commission. The total amount collected for license and disc fees was \$12,488,200 and \$25,472,000 for Levy paid to the Consolidated Fund for the year. Comparing the inflows of the fiscal year ending March 2011 to March 2010, there was an increase of 1.13% to the Consolidated Fund and 12.56% to the BGLC.

See **Table 2** for Gaming Machine Application and Licensing Fees, and **Figure 1** for gaming machine trends for the fiscal year ending March 2011.

**TABLE 2  
GAMING MACHINE APPLICATION AND LICENSING FEES  
COMPARATIVE FISCAL Y/E 2011 vs. 2010**

PERIOD	NO. GAMING MACHINES			APPLICATION FEE \$'000			LICENSING FEE \$'000		
	FYE 2011	FYE 2010	Variance	FYE 2011	FYE 2010	Variance	FYE 2011	FYE 2010	Variance
April	485	435	11.5%	1,036.0	994.0	4.2%	2,670.0	2,280.0	17.1%
May	707	867	-18.5%	1,043.0	1,587.5	-34.3%	2,485.0	3,225.0	-22.9%
June	355	296	19.9%	761.0	740.0	2.8%	1,755.0	1,665.0	5.4%
July	283	596	-52.5%	666.0	1,478.0	-54.9%	2,090.0	3,615.0	-42.2%
August	434	243	78.6%	741.0	560.5	32.2%	1,370.0	1,350.0	1.5%
September	307	515	-40.4%	449.0	969.5	-53.7%	825.0	1,965.0	-58.0%
October	492	550	-10.5%	463.0	1,075.0	-56.9%	467.0	2,260.0	-79.3%
November	183	285	-35.8%	310.0	668.5	-53.6%	636.0	1,750.0	-63.7%
December	172	226	-23.9%	335.1	448.0	-25.2%	803.2	1,170.0	-31.4%
January '11	382	192	99.0%	429.0	492.5	-12.9%	596.8	1,215.0	-50.9%
February	367	430	-14.7%	775.1	1,075.0	-27.9%	1,568.0	2,525.0	-37.9%
March	2374	423	461.2%	5,480.0	1,006.0	444.7%	10,206.0	2,167.0	371.0%
<b>TOTAL</b>	<b>6541</b>	<b>5058</b>	<b>29.32%</b>	<b>12,488.2</b>	<b>11,094.5</b>	<b>12.56%</b>	<b>25,472.0</b>	<b>25,187.0</b>	<b>1.13%</b>

**FIGURE 1  
GAMING MACHINE TRENDS FISCAL Y/E MARCH 2011**



**4.2 Gross Profit Tax**

During the period, government revenue from the fifteen gaming lounges amounted to \$251 million, distributed as follows: the Consolidated Fund and the CHASE Fund received \$164 million and \$25 million respectively, while the Commission earned \$62 million. This represents a 2.71% decrease over the \$258 million earned during the previous year. A detailed breakdown of the total contribution by each location is shown in **Table 3** below.

**TABLE 3**  
**GAMING LOUNGE ACTIVITY**  
**FISCAL Y/E MARCH 2011**

LICENSEE / LOCATION	LEVY	BGLC FEE	CHASE	TOTAL
<b>PRIME SPORTS</b>				
1 ACROPOLIS - Barbican	23,823,525	8,549,531	3,665,158	36,038,214
2 ACROPOLIS - May Pen	4,223,109	2,237,636	649,609	7,110,354
3 CORAL CLIFF*	21,673,396	8,017,861	3,334,369	33,025,625
4 ACROPOLIS - Portmore	2,846,547	1,412,786	437,929	4,697,262
<b>TOTAL</b>	<b>49,720,029</b>	<b>18,805,028</b>	<b>7,649,135</b>	<b>76,174,192</b>
<b>VILLAGE RESORTS</b>				
5 HEDONISM II	962,569	55,265	22,106	1,039,940
6 GRAND LIDO (Breezes Grand)	200,888	729,400	33,997	964,286
7 STARFISH (Breezes Trelawny)	369,282	142,032	56,812	568,126
8 BREEZES RUNAWAY BAY	9,428	3,626	1,450	14,505
9 HEDONISM III	106,538	291,851	16,390	414,779
<b>TOTAL</b>	<b>1,648,705</b>	<b>1,222,174</b>	<b>130,757</b>	<b>3,001,636</b>
10 MONTE CARLO	87,504,428	33,655,549	13,462,219	134,622,196
<b>BELJAM TECHNOLOGY LIMITED</b>				
11 TREASURE HUNT - Ocho Rios	16,364,802	6,294,001	2,518,204	25,177,007
12 TREASURE HUNT - Kgn	2,845,766	1,053,424	421,370	4,320,560
<b>TOTAL</b>	<b>19,210,568</b>	<b>7,347,426</b>	<b>2,939,573</b>	<b>29,497,567</b>
<b>YAHMAN TECHNOLOGY</b>				
13 TREASURE HUNT- Whitter Vill.	2,388,209	918,542	367,417	3,674,168
14 CARIBBEAN TREASURE	3,041,090	242,909	97,191	3,381,190
15 CTS : Vegas Flamingo	710,459	273,253	109,301	1,093,014
<b>GRAND TOTAL</b>	<b>164,223,489</b>	<b>62,464,881</b>	<b>24,755,593</b>	<b>251,443,963</b>

**Estimated**

Gross Turnover: \$25.1 billion

Payouts: \$28.3 billion

## CHAPTER FIVE PRIZE COMPETITIONS

### 5.1 Summary

The Commission received a total of 257 applications for the conduct of prize competitions during the year under review.

**Table 1** below shows the number of Prize Competition Applications received and their stages of completion for the year.

**TABLE 1  
PRIZE COMPETITIONS  
FISCAL Y/E 2011**

<b>Months</b>	<b>Applications Brought Forward at the beginning of each month</b>	<b>Applications Received During the Month</b>	<b>Applications Completed During the Month</b>	<b>Applications being Processed at end of each Month</b>
<b>April</b>	13	24	22	15
<b>May</b>	12	16	17	11
<b>June</b>	12	27	26	13
<b>July</b>	10	21	16	15
<b>August</b>	14	25	23	16
<b>September</b>	16	28	21	23
<b>October</b>	13	32	29	16
<b>November</b>	16	22	26	12
<b>December</b>	13	20	20	13
<b>January</b>	15	19	17	17
<b>February</b>	12	12	14	10
<b>March</b>	11	11	16	6
<b>TOTAL</b>		<b>257</b>	<b>247</b>	

## CHAPTER SIX ENFORCEMENT ACTIVITIES

### 6.1 Functions & Objectives of Enforcement Activities

The law enforcement functions of the Betting, Gaming & Lotteries Commission, include:

- Conducting criminal and regulatory investigations on individuals and groups involved in illegal betting and gaming activities.
- Gathering intelligence on organized criminal groups involved in illegal betting and gaming activities.
- Conducting background investigations on potential licensees.
- Making recommendations on potential licensees.

Objectives during the period included:

- Undertaking an extensive test betting exercise primarily at non-computerized betting offices.
- Seizing unlicensed gaming machines. The Commission's objective was to seize a minimum of five hundred (500) unlicensed gaming machines across ten (10) parishes. This reduced projection was primarily due to the lack of adequate storage area and the number of days that members of the Commission were scheduled to be in various Resident Magistrate Courts.
- Continuing to aggressively pursue the 'masterminds' behind the billion dollar illegal Cash Pot business. Four such leaders were convicted during the last fiscal year, while two are presently before the Courts.

## 6.2 Investigations and Operations

A total of seventy-six operations were conducted during the year, a 54% decline over last year's 141 operations. Resulting from these operations, twenty-two persons were arrested, a 27% decline when compared to the thirty persons who were arrested during the 2010 fiscal year. Convictions were also on the decline by 15% as twenty-three persons were convicted during the period under review, compared to twenty-seven convictions that were achieved during the previous twelve months.

The main reason for the significant decline in the number of operations conducted was the lack of adequate police personnel, especially after the May 2010 State of Emergency when they were increasingly called upon to support the government's new crime initiative. This must also be viewed against the background that the Commission only uses police personnel from the Mobile Reserve during operations. While their availability increased significantly during the last quarter of the fiscal year, it is still below the pre-May 2010 period, also due to the passing of Hurricane 'Tomas'.

Cash seized from illegal operators declined by 26% to \$265,900, compared to the \$361,454 that was seized during the same period last year.

## 6.3 Court & Tribunal Activities

Court appearances by members of the Commission during the third period were extensive, with sixty-six visits to relevant Resident Magistrate Courts located in:

<b><u>Parish</u></b>	<b><u>Total</u></b>
Clarendon	<b>8</b>
Saint Andrew	<b>7</b>
Saint Ann	<b>11</b>
Saint Elizabeth	<b>21</b>
Saint James	<b>3</b>
Saint Mary	<b>4</b>
Westmoreland	<b><u>12</u></b>
<b>Total</b>	<b>66</b>

Fines executed by the RM Courts during the period under review increased by 11% to \$1,165,700, compared to \$1,045,300 that was executed by the Magistrate Courts during 2009-2010.

**Table 1** below gives the breakdown of actual fines imposed on offenders tried in the relevant Resident Magistrate Courts for the period **April 2010 – March 2011**.

**TABLE 1**  
**SUMMARY OF FINES IMPOSED BY RESIDENT MAGISTRATE COURTS**  
**APRIL 2010- MARCH 2011**

<b>R.M COURT</b>	<b>ACCUSED</b>	<b>FINES J\$</b>
Half-Way-Tree	Barbara Thompson	20,000
Sav-La-Mar	Betty Wilson et al	9,500
Montego Bay	Paul Bonnie	60,000
Montego Bay	Suzette Ferguson	10,000
Montego Bay	Suzette Ferguson	50,000
Clarendon	Catherine Pellington	12 Months Probation
Half- Way-Tree	Judith Cuthburn	15,000
Half-Way-Tree	Paulette Cuthbert	15,000
Half-Way-Tree	Andrea Whyte	10,000
May Pen	Sharna Sharpe	40,000
May Pen	Shawn Bonnick	30,000
May Pen	Kevin Howell	20,000
May Pen	Uriel Turner	10,000
Browns Town	Jennifer Cunningham	65,000
Sav-La-Mar	Michelle Samuels	35,400
Sav-La-Mar	Tangia Levy	35,400
Sav-La-Mar	Betty Wilson	35,400
Black River	Karlene Ruddock	50,000
Santa Cruz	Oral Palmer	3 Months suspended 12 Months
Sav-La-Mar	Pauline McLoud	200,000
Annotto Bay	Curselda Young	55,000
Sav-La-Mar	Beulalee Allen	200,000
Sav-La-Mar	Charmaine Atkinson	200,000
	<b>Total</b>	<b>\$1,164,500</b>



#### 6.4 Gaming Machines

The seizure of unlicensed gaming machines continues to be one of the Division's major objectives during the period under review. Only 342 unlicensed gaming machines were seized during the year, a 59% decline when compared to the 826 unlicensed gaming machines were seized during the corresponding period last year.

One hundred and eighty six or 55% of the gaming machines seized were subsequently licensed and returned to their owners. Sixty-seven percent of the 826 seized last year were subsequently licensed and returned to their owners.

Total revenues gained from the licensing of these machines was \$3,374,216 a 58% decline over the \$8,008,543 that was collected during the corresponding period last year.

#### 6.5 Due Diligence

The Commission conducted thirteen due diligence investigations during the period under review. Outlined below are the potential licensees and the state of each investigation.

1	American Betting	On hold
2	Simultech Jamaica Ltd	On hold
3	D.C. Entertainment JA. Ltd	Awaiting information from applicants /Institutions. Interviewing references
4	Jody Myrie	Awaiting information from applicants /Institutions. Interviewing references
5	Ronald Rowe	Awaiting information from applicants /Institutions. Interviewing references
6	Tariq Malik	Awaiting information from applicants /Institutions. Interviewing references
7	Rory Chinn	Completed
8	Roger Malek	Assessing application
9	Amber Stewart	Assessing application
10	Arnella Chin	Assessing application
11	Vikram Dhiman	Assessing application
12	Nicholas Scott	Assessing application
13	Jungle: Gassan Elias Azan Jr.	Assessing application

## 6.6 Reports

Fifty-six reports about illegal betting and gaming activities were received during the period, a 54% decline when compared to the 123 reports that were received during the corresponding period last year.

## 6.7 Plans & Objectives for the Next Fiscal Year

- Undertaking gaming machine seizure operations in all parishes especially the eastern parishes.
- Continuing to target the ‘masterminds’ behind the illegal betting and gaming activities and the illegal operators who work in close proximity to licensees.
- Persons who continue to operate illegally despite being previously found guilty of breaches of the Betting, Gaming and Lotteries Act, will also be targeted.
- Revisiting at least six locations in which operations were carried out, to ascertain whether illegal activities have resumed there.
- Making at least twelve (12) covert visits to gaming lounges island-wide.

## 6.8 Major Enforcement Activities

**Table 2** below gives a Summary of Major Activities of the Enforcement Division for the period **April 2010 – March 2011** compared to the corresponding period last fiscal year.

**TABLE 2**  
**COMPARATIVE OF MAJOR ENFORCEMENT ACTIVITIES**  
**FISCAL Y/E 2010 vs. 2011**

DESCRIPTION	<u>2010</u>	<u>2011</u>	% CHANGE
<b>ILLEGAL ACTIVITIES REPORTED</b>	<b>123</b>	<b>56</b>	-54%
<b>OPERATIONS</b>	<b>141</b>	<b>76</b>	-46%
<b>ARRESTS</b>	<b>30</b>	<b>22</b>	-27%
<b>CONVICTIONS</b>	<b>27</b>	<b>23</b>	-19%
<b>CASH SEIZED</b>	<b>361,454</b>	<b>265,900</b>	-26%
<b>COURT FINES</b>	<b>1,045,300</b>	<b>1,164,500</b>	11%
<b>COURT ATTENDANCE</b>	<b>95</b>	<b>66</b>	-31%
<b>GAMING MACHINES SEIZED</b>	<b>826</b>	<b>342</b>	-59%
<b>STORAGE FEE</b>	<b>29,200</b>	<b>31,600</b>	8%

## COMPENSATION OF EXECUTIVE MANAGEMENT 2010-2011

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Position	Basic Salary	Allowances
Executive Director	8.64	2.16
Director, Finance	6.90	1.91
Director, Gaming/Lotteries	4.44	1.32
Director, Betting	4.58	1.77
Director, Enforcement	4.59	1.78
Director, ICT	6.93	1.95
Human Resources Manager	4.75	1.77
Legal Consultant/Company Secretary	3.90	2.33

*Notes:*

1. *All figures rounded to nearest million.*
  2. *Incentive payment included in salary for all.*
  3. *Uniform Garment payment is included in allowances.*
  4. *Accrued gratuity for the period is included in allowances for Dir. Finance; Dir. ICT, Legal Consultant and HR Manager.*
  5. *Pay in lieu of vacation leave is included in allowances for Executive Dir. and Dir. Enforcement.*
-



**Betting, Gaming and Lotteries Commission**

**Financial Statements  
31 March 2011**

# Betting, Gaming and Lotteries Commission

Index

31 March 2011

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Statement of cash flows	4
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## ***Independent Auditor's Report***

To the Members of  
Betting, Gaming and Lotteries Commission

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

We have audited the accompanying financial statements of Betting, Gaming and Lotteries Commission, set out on pages 1 to 31 which comprise the balance sheet as of 31 March 2011 and the statement of comprehensive income, statements of changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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



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

***Opinion***

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Commission as of 31 March 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers*  
Chartered Accountants  
29 July 2011  
Kingston, Jamaica



# Betting, Gaming and Lotteries Commission

Statement of Comprehensive Income

Year ended 31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 \$'000	2010 \$'000
<b>Income</b>	5	357,746	347,196
Other operating income	6	32,043	123,575
Administration expenses		(308,278)	(274,563)
Other operating expenses	7	<u>(6,319)</u>	<u>(26,217)</u>
<b>Operating Surplus</b>		75,192	169,991
Finance costs – interest on loan		<u>(9,210)</u>	<u>-</u>
<b>Surplus before Taxation</b>		65,982	169,991
Taxation	11	<u>(629)</u>	<u>(12,859)</u>
<b>Net Surplus, being Total Comprehensive Income for Year</b>		<u><u>65,353</u></u>	<u><u>157,132</u></u>

# Betting, Gaming and Lotteries Commission

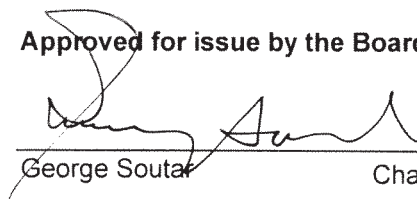
Balance Sheet


31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 \$'000	2010 \$'000
<b>Non-Current Assets</b>			
Property, plant and equipment	12	287,480	42,424
Deferred tax asset	13	8,868	7,424
Long term receivables	14	4,782	4,835
Investments	15	202,871	270,625
		<u>504,001</u>	<u>325,308</u>
<b>Current Assets</b>			
Inventories		1,364	1,853
Receivables	16	30,257	33,261
Taxation recoverable		40,685	34,584
Current portion of long term receivables	14	4,427	6,685
Repurchase agreements	17	132,233	78,715
Cash and bank	18	10,498	7,895
		<u>219,464</u>	<u>162,993</u>
<b>Current Liabilities</b>			
Payables	20	76,275	52,565
Deferred income	21	23,021	12,226
Current portion of long term loan	22	12,618	-
		<u>111,914</u>	<u>64,791</u>
<b>Net Current Assets</b>			
		<u>107,550</u>	<u>98,202</u>
		<u>611,551</u>	<u>423,510</u>
<b>Shareholders' Equity</b>			
Reserve for capital development	23	9,246	9,246
Reserve for contingencies	24	182,696	182,696
Accumulated surplus		296,921	231,568
		<u>488,863</u>	<u>423,510</u>
<b>Non-Current Liabilities</b>			
Long term loan	22	122,688	-
		<u>611,551</u>	<u>423,510</u>

Approved for issue by the Board of Commissioners on 29 July 2011 and signed on its behalf by:

  
 George Soutar Chairman

  
 Clovis Metcalfe Commissioner

# Betting, Gaming and Lotteries Commission

Statement of Changes in Equity

Year ended 31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Reserve for Capital Development	Reserve for Contingencies	Accumulated Surplus	Total
Note	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 April 2009</b>	9,246	182,696	674,436	866,378
Total comprehensive income	-	-	157,132	157,132
Distribution	-	-	(600,000)	(600,000)
25	-	-	-	-
<b>Balance at 31 March 2010</b>	9,246	182,696	231,568	423,510
Total comprehensive income	-	-	65,353	65,353
<b>Balance at 31 March 2011</b>	9,246	182,696	296,921	488,863

# Betting, Gaming and Lotteries Commission

## Statement of Cash Flows

Year ended 31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 \$'000	2010 \$'000
<b>Cash flows from operating activities</b>			
Net surplus		65,353	157,132
Adjustments for:			
Depreciation	12	11,164	6,661
Loss on disposal of investments	7	-	16,479
Loss on disposal of property, plant and equipment	7	132	-
Retirement benefit asset		-	13,127
Interest income	6	(33,602)	(115,133)
Interest expense		9,210	-
Taxation	11	629	12,859
		<u>52,886</u>	<u>91,125</u>
Changes in operating assets and liabilities:			
Inventories		489	611
Receivables		3,004	2,131
Payables		23,710	(1,437)
Deferred income		10,795	(207)
Cash provided by operations		<u>90,884</u>	<u>92,223</u>
Tax recoverable		(8,174)	(30,140)
Interest paid		(9,210)	-
Interest received		36,006	139,074
Net cash provided by operating activities		<u>109,506</u>	<u>201,157</u>
<b>Cash flows from investing activities</b>			
Investments		64,452	164,078
Repurchase agreements		(52,620)	254,917
Purchase of property, plant and equipment	12	(256,352)	(21,262)
Long term receivables		2,311	3,312
Net cash (used in)/provided by investing activities		<u>(242,209)</u>	<u>401,045</u>
<b>Cash flows from financing activities</b>			
Proceeds from long term loan		140,000	-
Repayment of long term loan		(4,694)	-
Distribution	25	-	(600,000)
Net cash provided by/(used in) financing activities		<u>135,306</u>	<u>(600,000)</u>
Net increase in cash and cash equivalents		2,603	2,202
Net cash and cash equivalents at beginning of year		7,895	5,693
<b>NET CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	18	<u>10,498</u>	<u>7,895</u>

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

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### 1. The Commission

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

The Commissioners as at 31 March 2011 are:

Mr. George Soutar	-	Chairman
Mr. Richard Chen		
Mr. Clovis Metcalfe		
Mr. Peter Millingen		
Mrs. Viris Page-Gardener		
Mr. Cecil Warren		

Members of the management team at 31 March 2011 are:

Mr. Derek Peart	-	Executive Director
Mr. George Brown	-	Director of Information and Communications Technology
Mr. Carl Hill	-	Director of Enforcement
Mr. Wayne Stewart	-	Director of Gaming and Lotteries
Mr. Leslie Wright	-	Director of Betting
Ms. Elaine Walters	-	Director of Finance
Mrs. Amina Maknoon	-	Legal Consultant and Company Secretary

### 2. Significant Accounting Policies

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

#### (a) Basis of preparation

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

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

# Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

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

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

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

- IAS 1 (amendment), 'Presentation of financial statements'.  
The amendment provides clarification that the potential settlement of a liability by issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

#### **Standards, amendments and interpretations to existing standards that are not yet effective**

At the date of authorisation of these financial statements, certain new accounting standards, amendments and interpretations to existing standards have been issued which are mandatory for the Commission's accounting periods beginning on or after 1 January 2011 or later periods, but were not effective at the balance sheet date, and which the Commission has not early adopted. The Commission has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations. The impact of the changes is still being assessed by management.

- *Amendment to IFRS 7, 'Financial instruments' (effective for periods beginning 1 January 2011)*  
This amendment clarifies the disclosure requirement by emphasising the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. Amendments were made to quantitative and credit risk disclosures. Management has determined that there is no material impact on the Commission's financial statements.
- *IAS 24 (Revised), Related party disclosures' (effective for periods beginning 1 January 2011)*  
The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. Management has assessed the standard and has determined that there is no material impact on the Commission's financial statements.
- *Amendment to IFRIC 14, 'IAS 19 – The limit on defined benefit assets, minimum funding requirements and their interaction' (effective for periods beginning 1 January 2011)*  
The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. This amendment is applied retrospectively. Management has determined that there is no material impact on the Commission's financial statements.



# Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

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

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

*Standards, amendments and interpretations to existing standards that are not yet effective (continued)*

- *IFRS 9, 'Financial instruments' (effective for periods beginning 1 January 2013)*

Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value and those to be subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

All equity instruments are to be measured subsequently at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument -by- instrument basis. Dividends are to be presented in profit or loss as long as they represent a return on investment.

- *IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments', (effective for annual periods beginning on or after 1 July 2010).* IFRIC 19 provides guidance on how to interpret IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies that the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability and the equity instruments issued are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. Any difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the entity's profit or loss for the period. The Commission will apply the revised standard from 1 April 2011 but does not expect any significant impact arising from its application.

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (b) Revenue recognition

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

##### (i) Betting activities

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

##### (ii) License fees

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

##### (iii) Interest income

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

#### (c) Foreign currency translation

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

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

##### (ii) Transactions and balances

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



# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

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

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

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

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

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

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

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

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

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

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

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

#### (f) Inventories

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

# Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (g) Financial instruments

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

#### **Financial assets**

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

#### **Loans and receivables**

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

#### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. These assets are classified as current assets which include cash and repurchase agreements on the balance sheet.

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Commission's management has the positive intention and ability to hold to maturity. These assets are classified as investments on the balance sheet.

#### **Financial liabilities**

The Commission's financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method. They are included in payables and long term loan on the balance sheet.

### (h) Investments

#### (i) Investment securities

The Commission classifies its investment securities as available-for-sale and held-to-maturity. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

#### (a) Available-for-sale financial assets

Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These assets are subsequently measured at fair value, with the fair value gains or losses recognised in other comprehensive income.

# Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (h) Investments (continued)

#### (i) Investment securities (continued)

##### (a) Available-for-sale financial assets (continued)

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the statement of comprehensive income as other income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive when the Commission's right to receive payments is established.

The Commission assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

All purchases and sales of investment securities are recognised at settlement date.

##### (b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Commission's management has the positive intention and ability to hold to maturity. Where the Commission is required to sell other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and reclassified as available-for-sale.

Held-to-maturity investments are initially recognized at fair value plus transaction costs and are subsequently measured at amortised cost using effective yield method.

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

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

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

(i) **Trade receivables**

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

(j) **Trade payables**

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

(k) **Employee benefits**

**Pension obligations**

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

The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses and unrecognised past service costs. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reductions in future contributions to the fund. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on Government securities which have terms to maturity approximating the terms of the related liability.

Past service costs are recognised immediately to the extent that the benefits are already vested, or otherwise are amortised on a straight line basis over the average period until the benefits become vested.

A portion of actuarial gains and losses is charged or credited to income if the net cumulative actuarial gains or losses at the end of the previous reporting period exceeded the greater of 10% of the:

- (i) Present value of the gross defined benefit obligation at that date; and
- (ii) The fair value of the plan assets at that date.

Any excess actuarial gains or losses are charged or credited to income over the average remaining service lives of the related employees.



# Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (k) Employee benefits (continued)

#### Termination benefits

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

### (l) Taxation

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

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

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

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

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

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

### (m) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks with original maturities of three months or less.

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

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### 3. Financial Risk Management

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

In February 2010, the Commission participated in the Jamaica Debt Exchange (JDX) transaction under which the Commission exchanged its holdings of domestic debt instruments issued by the Government of Jamaica for new, longer-dated debt instruments available to the Commission under the election options contained in the agreement. The JDX transaction resulted in a reduction in yields and an increase in the tenure of locally issued Government of Jamaica securities and, therefore, had a significant impact on financial risks.

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

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

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

#### (a) Credit risk

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

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

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

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

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

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

# Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (a) Credit risk (continued)

#### *Investment securities (continued)*

The Commission has documented investment policies which guides the management of credit risk on investment securities and resale agreements. The Commission's exposure is continually monitored. Resale agreements are secured by Government of Jamaica or Bank of Jamaica securities. The collateral obtained is at least one hundred percent of the sum of the principal value of the resale agreement plus interest to be earned.

#### *Cash and cash equivalents*

Cash and cash equivalents are held in financial institutions which management regards as strong and there is no significant concentration. The strength of these financial institutions is constantly reviewed.

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

The worst case scenario of the Commission's exposure to credit risk is as follows:

	2011 \$'000	2010 \$'000
Long term receivables	9,209	11,520
Investments	202,871	270,625
Trade and other receivables	28,639	31,229
Repurchase agreements	132,233	78,715
Cash and bank	10,498	7,895
	<u>383,450</u>	<u>399,984</u>

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

### (b) Liquidity risk

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

#### *Liquidity risk management process*

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

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

# Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (b) Liquidity risk (continued)

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

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

	<b>Within 1 Year \$'000</b>	<b>1 to 5 Years \$'000</b>	<b>Over 5 Years \$'000</b>	<b>Total \$'000</b>
<b>As at 31 March 2011:</b>				
Loans	33,368	166,841	19,465	219,674
Payables	52,134	24,141	-	76,275
<b>Total financial liabilities (contractual maturity dates)</b>	<b>85,502</b>	<b>190,982</b>	<b>19,465</b>	<b>295,949</b>

	<b>Within 1 Year \$'000</b>	<b>1 to 5 Years \$'000</b>	<b>Over 5 Years \$'000</b>	<b>Total \$'000</b>
<b>As at 31 March 2010:</b>				
Loans	-	-	-	-
Payables	47,680	4,885	-	52,565
<b>Total financial liabilities (contractual maturity dates)</b>	<b>47,680</b>	<b>4,885</b>	<b>-</b>	<b>52,565</b>

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

### (c) Market risk

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

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

#### **Currency risk**

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



# Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (c) Market risk (continued)

#### *Currency risk (continued)*

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

	2011 US\$'000	2010 US\$'000
<b>Assets</b>		
Investments	373	373
Trade and other receivables	10	3
Cash at bank	2	28
	<u>385</u>	<u>404</u>

#### *Interest rate risk*

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

The Commission earns interest on its securities purchased under resale agreements as disclosed in Note 17. As these deposits have a short term to maturity and are constantly reinvested at current market rates, they are not significantly exposed to interest rate risk. The Commission also earns interest on its long term receivables (Note 14) and certain bank balances (Note 18).

### (d) Capital management

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

### (e) Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

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

The Commission's long term receivables lack an available trading market. These instruments have been valued using present value or other valuation techniques and may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2011

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### 4. Critical Accounting Estimates and Judgements

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

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

### 5. Income

	2011 \$'000	2010 \$'000
Lotteries	236,548	225,445
Gaming machines	75,126	75,344
Bookmakers	34,011	32,983
Racing promoter	7,683	10,424
Bingo	4,378	3,000
	<u>357,746</u>	<u>347,196</u>

### 6. Other Operating Income

	2011 \$'000	2010 \$'000
Interest	33,602	115,133
Foreign exchange (loss)/gain	(2,346)	3,682
Other	787	4,760
	<u>32,043</u>	<u>123,575</u>

### 7. Other Operating Expenses

	2011 \$'000	2010 \$'000
Loss on disposal of investments	-	16,479
Loss on disposal of property, plant and equipment	132	-
Grants (Note 8)	6,187	9,738
	<u>6,319</u>	<u>26,217</u>

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

### 8. Grants

	2011 \$'000	2010 \$'000
Rise Life Management Services (a)	6,187	5,538
Caymanas Track Limited (b)	-	4,200
	<u>6,187</u>	<u>9,738</u>

- (a) The Commission provides an annual grant for an intervention and prevention programme to Rise Life Management Services (formerly Addiction Alert Organisation) to assist in mitigating problem gaming.
- (b) This represented the Commission's contribution to the purses for the 1000 and 2000 Guineas races for the year ended 31 March 2010.

### 9. Expenses by Nature

Total administration and other operating expenses

	2011 \$'000	2010 \$'000
Advertising and public relations	743	2,902
Audit fees-		
Current year	946	920
Prior year	(20)	(76)
Bad debts	-	2,000
Depreciation	11,164	6,661
Donations and subscriptions	1,460	1,112
Gaming machines labels	489	611
Grants	6,187	9,738
Insurance	2,960	562
Irrecoverable General Consumption Tax	4,243	3,456
Legal and professional	9,820	10,082
Loss on disposal of property, plant and equipment	132	-
Loss on realisation of investments	-	16,479
Printing and stationery	1,882	2,377
Rental - office building and furniture	3,230	4,050
Repairs and maintenance	1,943	1,180
Security	2,093	864
Special investigations	1,945	2,874
Staff costs (Note 10)	253,963	225,919
Utilities	7,715	6,203
Other	3,702	2,866
	<u>314,597</u>	<u>300,780</u>

# Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

## 10. Staff Costs

	2011 \$'000	2010 \$'000
Salaries and wages	144,399	124,427
Payroll taxes – employer's contribution	16,087	13,304
Pension	6,205	18,802
Retroactive salaries	10,548	-
Other employee related costs	76,724	69,386
	<u>253,963</u>	<u>225,919</u>

## 11. Taxation

The Commission is liable for taxation on income not derived from its core business of the regulation of gaming activities. Taxation is based on surplus for the year adjusted for tax purposes and comprises income tax at 33 $\frac{1}{3}$ %.

	2011 \$'000	2010 \$'000
Current income tax	3,521	26,236
Prior year over-accrual	(1,448)	(5,011)
Deferred taxation (Note 13)	(1,444)	(8,366)
	<u>629</u>	<u>12,859</u>

The tax on the Commission's surplus before tax differs from the theoretical amount that would arise using the statutory tax rate of 33 $\frac{1}{3}$ % as follows:

	2011 \$'000	2010 \$'000
Surplus before taxation	<u>65,982</u>	<u>169,991</u>
Tax calculated at 33 $\frac{1}{3}$ %	21,994	56,664
Adjusted for the effects of:		
Income not taxable	(119,331)	(116,820)
Expenses not deductible for tax	97,716	72,403
Adjustment for prior year over-accrual	(1,448)	(5,011)
Other charges and allowances	1,698	5,623
Tax charge	<u>629</u>	<u>12,859</u>

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2011

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### 12. Property, Plant and Equipment

	Land \$'000	Buildings \$'000	Furniture & Fixtures \$'000	Computer Equipment \$'000	Motor Vehicles \$'000	Storage Facility and Equipment \$'000	Capital Work In Progress \$'000	Total \$'000
At Cost -								
31 March 2009	4,056	20,092	9,352	22,772	2,600	1,404	-	60,276
Additions	-	-	1,818	19,444	-	-	-	21,262
31 March 2010	4,056	20,092	11,170	42,216	2,600	1,404	-	81,538
Additions	82,136	-	476	8,860	-	-	164,880	256,352
Disposals	-	-	-	(735)	-	-	-	(735)
At 31 March 2011	86,192	20,092	11,646	50,341	2,600	1,404	164,880	337,155
Depreciation -								
At 31 March 2009	-	4,526	6,469	17,731	2,413	1,314	-	32,453
Charge for the year	-	502	1,090	4,792	187	90	-	6,661
31 March 2010	-	5,028	7,559	22,523	2,600	1,404	-	39,114
Charge for the year	-	503	1,280	9,381	-	-	-	11,164
Relieved on disposal	-	-	-	(603)	-	-	-	(603)
At 31 March 2011	-	5,531	8,839	31,301	2,600	1,404	-	49,675
Net Book Value -								
At 31 March 2011	86,192	14,561	2,807	19,040	-	-	164,880	287,480
At 31 March 2010	4,056	15,064	3,611	19,693	-	-	-	42,424

The Commission allowed the Jamaica Society for Prevention of Cruelty to Animals (JSPCA) to occupy certain of its premises rent-free for an initial period of three years, which expired in March 1999. Since then, JSPCA has been allowed to continue to occupy certain of its premises rent-free on a month-by-month basis, with all relevant repairs being borne by JSPCA. The Commission has however given notice to the JSPCA to vacate the premises.

During the year the Commission acquired premises at Hagley Park Road to be used as office buildings. The acquisition was partially financed via a mortgage from the vendors (Note 22). The land acquired at Hagley Park Road represents the mortgaged property.

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

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

### 13. Deferred Taxation

The movement in the net deferred tax asset during the year is as follows:

	2011 \$'000	2010 \$'000
Net asset/(liability) at beginning of year	7,424	(942)
Statement of comprehensive income (Note 11)	1,444	8,366
Net asset at end of year	<u>8,868</u>	<u>7,424</u>

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

	2011 \$'000	2010 \$'000
Deferred income tax assets -		
Unrealised foreign exchange loss	698	-
Vacation leave accrual	9,805	9,862
	<u>10,503</u>	<u>9,862</u>
Deferred income tax liabilities -		
Interest receivable	1,101	1,902
Property, plant and equipment	534	536
	<u>1,635</u>	<u>2,438</u>
Net deferred tax asset	<u>8,868</u>	<u>7,424</u>

The deferred tax movement in the statement of comprehensive income comprises the following temporary differences:

	2011 \$'000	2010 \$'000
Vacation leave accrual	(57)	7,315
Unrealised foreign exchange loss	698	-
Property, plant and equipment	2	(854)
Interest receivable	801	766
Other	-	(43)
Employee benefit asset	-	1,182
	<u>1,444</u>	<u>8,366</u>



# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

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### 14. Long-Term Receivables

	2011 \$'000	2010 \$'000
Loans to employees (a)	8,888	7,740
Loan to Jamaica Racing Commission (b)	321	3,780
	<u>9,209</u>	<u>11,520</u>
Less: Current portion	<u>(4,427)</u>	<u>(6,685)</u>
	<u>4,782</u>	<u>4,835</u>

- (a) Thirty-five percent (2010 - 39%) of loans to employees are interest-free while the remainder bears interest at 5% per annum and are payable in equal monthly instalments. These include motor vehicle loans to travelling officers who are required to repay mainly over three (3) to five (5) years.
- (b) This represents the balance on a \$20 million loan to the Jamaica Racing Commission (JRC) granted in 2003 for a six-year period, bearing interest at 12 ½% 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 21 April 2004, a moratorium on principal repayments was granted to JRC for an additional twelve months. On 1 April 2005, the Commission revised in the interest rate to 5% per annum, and extended the loan period to six years.

### 15. Investments

	2011 \$'000	2010 \$'000
Held-to-maturity:		
Government of Jamaica securities - Debentures	200,480	264,932
Interest receivable	2,391	5,693
	<u>202,871</u>	<u>270,625</u>

The fair value of the Government of Jamaica securities was \$217,307,000 (2010 - \$256,485,000).

### 16. Receivables

	2011 \$'000	2010 \$'000
Fees and contributions receivable	19,032	23,893
Staff loans	8,219	6,822
Prepayments and other deposits	2,401	2,032
Other	605	514
	<u>30,257</u>	<u>33,261</u>

Fees and contributions receivable is stated after provision for bad debts of \$2,000,000 (2010 – \$2,000,000).

Staff loans include \$4,677,000 (2010 - \$2,516,000) with related parties (Note 19). In 2010, other receivables included \$245,000 with related parties. There is no balance for the current year (Note 19).

# Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

## 17. Securities Purchased under Resale Agreements

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

	Within 3 Months	3 to 12 Months	Carrying Value 2011 \$'000	Carrying Value 2010 \$'000
Securities purchased under resale agreements	131,321	-	131,321	78,701
Interest receivable	912	-	912	14
	<u>132,233</u>	<u>-</u>	<u>132,233</u>	<u>78,715</u>

The weighted average interest rate on the investment securities is 7% (2010 – 5%). These securities are denominated in Jamaican dollars.

Securities purchased under repurchase agreements were negotiated with the following:

	2011 \$'000	2010 \$'000
Scotia DBG Investments Limited	-	57,101
Capital & Credit Securities Limited	22,321	-
First Caribbean Securities Limited	-	21,600
Pan Caribbean Financial Services Limited	22,000	-
Jamaica Money Market Brokers Limited	10,000	-
Mayberry Investments Limited	77,000	-
	<u>131,321</u>	<u>78,701</u>



# Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2011

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## 18. Cash and Cash Equivalents

	2011 \$'000	2010 \$'000
Cash and bank comprise:		
Bank of Nova Scotia (Jamaica) Limited – operating account	8,779	5,121
National Commercial Bank Jamaica Limited -		
Foreign currency account	167	2,520
Savings account	807	22
FirstCaribbean International Bank Limited – operating account	69	173
Cash in hand	611	48
Special imprest	54	-
Petty cash	11	11
	<u>10,498</u>	<u>7,895</u>

Cash and bank include a foreign currency savings account which attract interest at 0.6% per annum (2010 – 0.95%), a local currency savings account which attract interest at 2.25% per annum (2010 – 0%) and a local currency operating account attracting interest at 1% per annum (2010 – 3.0%).

## 19. Related Party Transactions and Balances

### (a) Loans to related parties

Loans to other government agencies –

	2011 \$'000	2010 \$'000
Jamaica Racing Commission (Note 14)	<u>321</u>	<u>3,780</u>

Interest earned during the year totalled \$74,000 (2010 - \$286,000).

Loans to key management personnel of the Commission –

	2011 \$'000	2010 \$'000
At start of year	2,516	1,461
Loans advanced during year	8,697	8,069
Loan repayments received	<u>(6,536)</u>	<u>(7,014)</u>
End of year	<u>4,677</u>	<u>2,516</u>

No provision has been required in 2011 and 2010 for the loans made to key management personnel of the Commission.

# Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2011

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## 19. Related Party Transactions and Balances (Continued)

### (b) Other balances with related parties

	2011 \$'000	2010 \$'000
Other receivables (Note 16)	-	245
Payables (Note 20)	<u>(11,390)</u>	<u>(11,367)</u>

### (c) Key management compensation

	2011 \$'000	2010 \$'000
Salaries and other short-term employee benefits	44,730	37,990
Allowances	12,427	11,662
Gratuity accrued	2,547	2,883
Payroll taxes – employer's contributions	4,613	3,750
Pension	<u>1,289</u>	<u>1,275</u>
	<u>65,606</u>	<u>57,560</u>
Commissioners' emoluments		
Fees	511	549
Travel allowance	26	-
Management remuneration (included above)	<u>-</u>	<u>-</u>

## 20. Payables

	2011 \$'000	2010 \$'000
Accruals	39,078	15,362
Accrued vacation leave	29,414	29,587
Other	<u>7,783</u>	<u>7,616</u>
	<u>76,275</u>	<u>52,565</u>

Accruals at 31 March 2011 include an amount of \$21,095,000 for retroactive salaries and allowances which represents the estimated cost to the Commission for the 7% increase negotiated for the second year of the contract period 2008/2010.

Payables include \$11,390,000 (2010 - \$11,367,000) with related parties (Note 19).

## 21. Deferred Income

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

# Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

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## 22. Long Term Loan

	2011 \$'000	2010 \$'000
Long term loan	135,306	-
Less: Current portion	<u>(12,618)</u>	<u>-</u>
	<u>122,688</u>	<u>-</u>

The Commission, with the approval of the Ministry of Finance and the Public Service, acquired a mortgage from Shirlhome Chemical Corporation Limited in the sum of \$140 million towards the acquisition of premises at Hagley Park Road (Note 12). The mortgage is for a period of 7 years and is repayable in eighty-four (84) equal monthly instalments with interest at 16% per annum.

## 23. 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 current or previous years.

## 24. Reserve for Contingencies

This is an account that was built up from cess and fees from Jamaica Lottery Company Holdings Limited, Supreme Ventures Lotteries Limited, and Telefun International Limited to defray certain personnel expenses. Telefun International Limited's license expired 31 January 2006 and was not renewed.

As at 31 March 2003 the fund had \$182,696,000. Since 1 April 2003, the cess and fees have been recognised in the income and expense account of the Commission.

## 25. Distribution

During the year ended, 31 March 2010, pursuant to directives from the Honourable Minister of Finance and the Public Service, the Commission was required to distribute a total of \$600 million to the Consolidated Fund. In respect of the said disbursements, a deed of indemnity dated the 29 March 2010 was made in favour of the Board of Commissioners, the Executive Director and the Director of Finance of the Commission.

# Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

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## 26. Retirement Benefit Asset

### Pension benefits

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

The assets of the scheme are held independently of the Commission's assets in a separate trustee-administered fund. The scheme is valued by independent actuaries annually using the projected unit credit method. The latest actuarial valuation was carried out as at 31 March 2011.

Additionally, the plan is valued by independent actuaries triennially to determine the adequacy of funding. The latest such valuation being as at 30 June 2009 revealed that the scheme was reflecting a deficit of approximately \$57.2 million. The actuaries have recommended that the employer contribute at 18% of pay per annum in an effort to clear the deficit. The Commission has requested a meeting with the JRC to review the recommendation of the actuaries.

The defined benefit asset amounts relating to the Commission and recognised in the balance sheet are determined as follows:

	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Present value of funded obligations	(276,050)	(315,788)
Fair value of plan assets	247,831	204,646
	<u>(28,219)</u>	<u>(111,142)</u>
Unrecognised actuarial loss	34,875	144,937
Unrecognised asset due to section 58	<u>(6,656)</u>	<u>(33,795)</u>
Asset recognised in balance sheet	<u><u>-</u></u>	<u><u>-</u></u>

The movement in the defined benefit asset recognised in the balance sheet is as follows:

	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
At beginning of the year	-	13,127
Amounts recognised in the statement of comprehensive income	(5,819)	(18,802)
Contributions paid	<u>5,819</u>	<u>5,675</u>
At end of year	<u><u>-</u></u>	<u><u>-</u></u>

# Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2011

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## 26. Retirement Benefit Asset (Continued)

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

	2011 \$'000	2010 \$'000
Current service cost	14,174	4,586
Interest cost	31,455	19,990
Expected return on plan assets	(18,969)	(22,847)
Recognised actuarial loss	6,298	81
Change in unrecognised asset	(27,139)	16,992
Included in staff costs (Note 10)	<u>5,819</u>	<u>18,802</u>

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

	2011 \$'000	2010 \$'000
Present value of obligation as at 1 April	(315,788)	(137,862)
Service cost	(14,174)	(4,586)
Interest cost	(31,455)	(19,990)
Contributions paid	(8,076)	(7,933)
Benefits paid	2,534	-
Actuarial gain/(loss)	90,909	(145,417)
Present value of funded obligation as at 31 March	<u>(276,050)</u>	<u>(315,788)</u>

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

	2011 \$'000	2010 \$'000
Fair value of plan assets at 1 April	204,646	150,989
Contributions paid - total	13,895	13,608
Expected return on plan assets	18,969	22,847
Benefits paid	(2,534)	-
Actuarial gain	12,855	17,202
Fair value of plan assets at 31 March	<u>247,831</u>	<u>204,646</u>

# Betting, Gaming and Lotteries Commission

## Notes to the Financial Statements

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### 26. Retirement Benefit Asset (Continued)

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

	2011		2010	
	\$'000	%	\$'000	%
Equity	81,299	33	66,385	32
Mortgage and real estate	31,224	13	29,274	14
Fixed income	99,811	40	82,100	40
Money market	4,809	2	5,680	3
Foreign currency investments	24,530	10	20,133	10
Other	6,158	2	1,074	1
	<u>247,831</u>	<u>100</u>	<u>204,646</u>	<u>100</u>

The principal actuarial assumptions used were as follows:

	2011	2010
	%	%
Discount rate	10.5	11.5
Expected return on plan assets	8.5	9.0
Future salary increases	7.5	7.5
Future pension increases	4.0	7.5
Inflation	<u>6.5</u>	<u>7.5</u>

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

Historical information:

	2011	2010	2009	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of the defined benefit obligations	(276,050)	(315,788)	(137,862)	(154,154)	(90,910)
Fair value of plan assets	<u>247,831</u>	<u>204,646</u>	<u>150,989</u>	<u>143,680</u>	<u>119,175</u>
(Deficit)/Surplus	<u>(28,219)</u>	<u>(111,142)</u>	<u>13,127</u>	<u>(10,474)</u>	<u>28,265</u>
Experience adjustments arising on plan liabilities	<u>(90,909)</u>	<u>145,417</u>	<u>(49,036)</u>	<u>45,411</u>	<u>5,311</u>
Experience adjustments arising on plan assets	<u>(12,855)</u>	<u>(17,202)</u>	<u>24,860</u>	<u>(2,037)</u>	<u>(2,487)</u>



# Betting, Gaming and Lotteries Commission

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## 26. Retirement Benefit Asset (Continued)

The estimated pension contributions expected to be paid into the plan by the Commission for the next financial year is \$14,164,000 (2010 - \$14,523,000).

The actual return on plan assets was \$29,398,000 (2010 – \$42,711,000).

The average expected remaining working life of the employees is 18 years (2010 – 18 years).

The in-service rates (number of occurrences per 1000 members) are as follows:

Age	Retirements due to death	
	Males	Females
20	0.5	0.3
25	0.7	0.3
30	0.8	0.4
35	0.9	0.5
40	1.1	0.7
45	1.6	1.0
50	2.6	1.4
55	4.4	2.3
60	8.0	4.4

### Mortality rate

Assumptions regarding future mortality experience are set based on advice, published statistics and experience. Post employment mortality for active members and mortality for pensioners are based on the American 1994 Group Annuitant Mortality table.

## 27. Contingencies

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

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

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





