

BETTING, GAMING & LOTTERIES COMMISSION

2011 — 2012

Regulating, Facilitating, Enabling

37TH
ANNUAL
REPORT

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Message from The Chairman



The Commission ended the year with further strengthening of its licensing and registration function, maintaining the level of direct Government revenue from the gaming industry in the face of economic challenges, continuing its efforts to give effect to amendments to the legislation, initiating programmes to keep pace with new and diverse technologies in the industry, and deepening relations with the international gaming community.

In the coming year the Commission will focus more on internal strengthening and on facilitating the introduction of new technologies in the industry.

Regarding internal strengthening, the Commission will complete the restructuring exercise, particularly the creation of the licensing and registration, and audit and compliance divisions; improve controls and the reach of the enforcement division; fill long outstanding vacancies; strengthen the legal department to meet the increased challenges that have come with widening the scope of gaming activity; complete the renovation of its corporate office to improve the physical infrastructure for staff, licensees and the general public; finalize the staff policy manual; and seek to improve productivity through the acquisition and use of information and communications technology.

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The Commission will continue its efforts to give effect to the amended Act through regulations and Orders for which drafting instructions were submitted but which are yet to be finalized. These include wagering through text, voice and facsimile. During this year, the Commission will finalize provisions for internet wagering, while putting in place safeguards against wagering by minors and detecting other forms of unlawful activity through this medium. Another area of focus will be to encourage the use of server or web-based gaming activity to facilitate remote, real-time, read-only connectivity with the Commission to facilitate improved effectiveness and efficiency in regulation. Although this will also improve the cost-effectiveness in licensee operations, it will require significant initial

investment and gradual phasing out of existing technologies. Consequently, this programme will be undertaken on a phased basis, having regard to the fact there is no legislative requirement for its introduction. It is encouraging, however, that among new entrants to the industry, the economic benefits from integrated communications technology is recognized and being introduced.

On behalf of my fellow Commissioners, who assumed office during the last month of the year, I thank the former Chairman, George Soutar, and his fellow Commissioners - Messrs., Richard Chen, Clovis Metcalfe, Peter Millingen and Cecil Warren - for their leadership and contribution during the year under review.

I thank my fellow Commissioners – Mrs. Monique Harrison-Beckford, and Messrs T. V Allen, Clayton Morgan, and Peter Reid - for their proactive approach and wise leadership of the Commission during the period and to the Executive Director for his continued leadership at the helm of the BGLC. To the entire management and staff, we thank you your continued diligence. I encourage our licensees to continue to adopt best practices in the use of technology in your business operations and to continue to improve in complying with regulatory requirements.

Gary Peart

Message from The Executive Director



The period under review was the first full year since the Betting, Gaming and Lotteries (Amendment) Act, 2010 came into effect and various modes of gaming commenced.

Coupled with increased monitoring and control by the Commission, the varied activities led to an increase in Government direct gaming revenue from \$3.36 billion to \$3.63 billion or 8% over the period. From this amount \$1,887 million was paid into the Consolidated Fund and \$1,241 million into the CHASE Fund. The Commission's revenue amounted to 12% of the total, which is within international regulatory best practice. These revenues include the introduction of fees for certain activities, such as prize promotions, and reimbursement of costs associated with technology testing and due diligence investigations.

A key component of the Commission's ability to mobilize the gaming taxes and contributions has been the testing and certification of gaming hardware and software against its technical standards, prior to installation at the various premises. But this requirement goes further than taxes; it also protects the players from practices such as 'bait and switch' in which hidden software allows significant payouts to attract the players initially, then switches to an abnormally low payout ratio.

The Amendments also broaden the scope of permitted due diligence investigations by extending same to 'connected persons' to determine whether or not they are fit and proper for a licence to be granted to 'up front' applicant, whether individual or corporate entity. The Commission has proposed to the International Association of Gaming Regulators the development of a standard Corporate Disclosure Form as a complement to the current Personal History Disclosure Form. This Form will be finalized in October 2012, and will help to strengthen the hand of Regulators to keep gaming clean.

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In this connection, it is to be noted that gaming is included in the list of activities for scrutiny by the Caribbean Financial Action Task Force, and will require tracking and reporting of suspicious transactions, similar to financial institutions. The purpose is to identify and take

appropriate action against money laundering and financing of terrorism. The Commission is in discussions with local colleague Regulators, and will extend these discussions with international counterparts to identify and implement effective strategies to meet this challenge. The Commission must strengthen its ability to conduct on-site forensic financial and computer audits of licensees and the employment of personnel with the requisite skills is budgeted for the purpose.

The effort to introduce remote, real-time, read-only connection of licensees' operations with the Commission has met several challenges, the most important of which is the existence of legacy technology which does not lend itself to connectivity. The process is therefore slower than the Commission would wish. It must be noted, however, that new entrants into the gaming industry, stimulated by their own desire to improve cost-effectiveness, are introducing server-based games that will allow for connectivity with the Commission. There is currently connectivity with the lottery operator and sports betting with the three largest bookmakers.

Mindful of the increased obligations and associated costs arising from the Amendments and greater scrutiny of gaming transactions, inclusive of new accommodation, restructuring and staff expansion, the Commission remains committed to being self-financing and maintains its basic yard-stick that operational expenses must not exceed operating revenues. This commitment was realized for the year under review.

The Commission has entered its 7th 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, guidance counselors, social workers, employees in the industry and adolescents to identify and treat with the problem. RISE also operates a call in hot-line counseling service for affected persons and has established MOU's with the Ministries of Health and Education to deepen its outreach among vulnerable groups.

I commend my staff for their commitment and sterling effort in effecting improvements in regulation. I thank the former Chairman and Board, which demitted office in March, for their wise leadership. I extend a warm welcome to the current Chairman and Board, who in a very short period have taken up their mantle with vigour and focused energy. We give thanks also for the life, work and spirit of Sergeant Carl Hill who sadly left us in April 2012.

Derek Peart

CHAPTER ONE OVERVIEW

1.1 Introduction

This marks the thirty-seventh 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, 2011 to March 31, 2012. 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 Statements because of differences in the periods used to capture data in the Financial Statements as compared to the Division reporting period.

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.

VISION

**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 2011 to March 2012, the Board of Commissioners consisted of an average of five members with the overall responsibility for corporate governance and the strategic direction of the Commission.

The Commissioners at the start of the year were: Mr. George Soutar, O.D.(Chairman), Commissioners Messrs. Richard Chen, Clovis Metcalfe, Peter Millingen, Cecil Warren and Mrs. Viris Page Gardener.

As at March 31, 2012, the Board comprised of Chairman Gary Peart, Commissioners Messrs. Terrence V. Allen, Clayton Morgan and Peter Reid and Mrs. Monique Harrison-Beckford.

Composition of Board Sub-Committees

Audit

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

Finance

Mr. Peter Reid (Chairman)

Legal & Regulatory

Mr. Clayton Morgan (Chairman)
Mrs. Monique Harrison-Beckford

Special Projects

Mr. Terrence V. Allen

The Executive Director attends meetings of each Sub-Committee, the Director of Finance attends the Audit and Finance Sub-Committees, and the Legal Consultant attends meetings of the Legal & Regulatory Sub-Committee, along with performing duties of Company Secretary.

CHAPTER ONE – OVERVIEW

1.4 STATISTICAL HIGHLIGHTS – 2011/2012

Betting Sector	
Promoter – Caymanas Track Limited	63 off track betting parlours
	346 simulcast race days
Bookmakers	10 bookmakers
	272 licensed betting offices
	83 local race days
	52 weeks of overseas races
Sales	\$7.7 B (Promoter \$4.3B; Bookmakers \$3.4B)
Total Levies & Duties Payable	\$225.2 M (Promoter \$61.5M; Bookmakers \$163.7M)
Total Levies & Duties Paid	\$218.6M (Promoter \$30.7M; Bookmakers \$187.9M)
CHASE Contribution Paid	\$1.4M
JRC Contribution Paid	\$67.9M (Promoter \$18.5M; Bookmakers \$49.4M)
BGLC Contributions & Fees Payable	\$43M (Promoter \$7M; Bookmakers \$36M)
BGLC Contribution & Fees Paid	\$40M (Promoter \$4M; Bookmakers \$36M)
Lotteries Sector	
Sales	\$26 billion
Prize Payouts	\$18.5 billion
Levy Payments	\$1.5 billion
CHASE Fund Contributions	\$1.2 billion
Unclaimed Winnings (50% to CHASE)	\$117 million
BGLC Contribution & Fees paid	\$292M (Contributions: \$262M + Fees: \$30M)
Lottery Draws	816
Gaming Sector	
Gaming Lounge – GPT to Consol. Fund	\$197 million
Other Gaming Machines Levy	\$30 million
Gaming Lounge - CHASE Contribution	\$30 million
BGLC Gaming Machines Contribution	\$95 million
Inspections	1,150 locations
Prize Promotions	
Prize Competition Fees	\$1.6 million
Applications Received	279
Applications Processed	247
Enforcement	
Operations	105
Arrests	26 persons
Convictions	26 persons
Gaming Machines Seized	417
Fines & Forfeitures (paid to courts)	\$1.07 million
Reports	105

CHAPTER TWO BETTING SECTOR

2.1 Introduction

This report provides information on the performance of the racing promoter, Caymanas Track Limited and nine of the ten bookmakers that make up the betting industry. The tenth bookmaker, Olympic Sports Data Services Limited, operated from the Montego Bay Free Zone and as such paid no levy on gross profit. The company is however obliged to submit their audited financial statements as a requirement for the renewal of their Bookmaker's Permit and betting office licence.

2.2 The Betting Sector

Table 1 indicates that the racing promoter generated total sales of \$4.3B, a 1% increase on the total of the previous year. This total was made up of \$2.5B on local horse racing from 83 race days, and \$1.7B on simulcast racing from a total of 346 race days. The total generated on local racing was 1% more than that of the previous year, while that on simulcast racing was marginally better than that of the previous year.

TABLE 1
SUMMARY OF RACING PROMOTER SALES
FISCAL YEARS APRIL 2008 - MARCH 2012

	Y/E MAR. 2008	Y/E MAR. 2009	% CHANGE	Y/E MAR. 2010	% CHANGE	Y/E MAR. 2011	% CHANGE	Y/E MAR. 2012	% CHANGE
RACING PROMOTER									
LOCAL	2,464,638,162	2,755,324,306	11.79%	2,519,662,384	-8.55%	2,505,132,448	-0.58%	2,529,587,408	0.98%
NO. OF RACE DAYS	80	82		80		85		83	
AVG. SALES	30,807,977	33,601,516	9.07%	31,495,780	-6.27%	29,472,146	-6.43%	30,476,957	3.41%
SIMULCAST	1,891,983,198	2,065,403,295	9.17%	2,236,844,614	8.30%	1,782,794,261	-20.30%	1,789,793,123	0.39%
NO. OF RACE DAYS	306	310		312		324		346	
AVG. SALES	6,182,952	6,662,591	7.76%	7,169,374	7.61%	5,502,451	-23.25%	5,172,812	-5.99%
TOTAL	4,356,621,360	4,820,727,601	10.65%	4,756,506,998	-1.33%	4,287,926,709	-9.85%	4,319,380,531	0.73%

Table 2 and **Figure 1** details the sales performance of bookmakers over the review period. Such licensees reported total sales of just over \$3.4B or 16% more than the total of the previous year. This total was made up of \$2B on local horse racing, \$1.2B on overseas horse

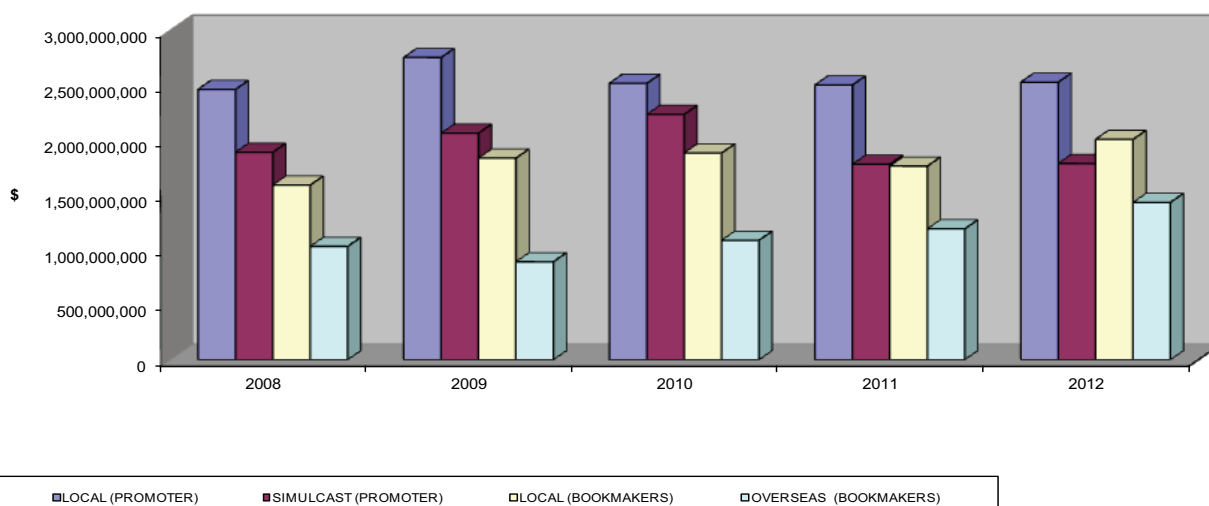
racing and \$225M on other sporting events. The total generated on local horse racing was 14% more than that of the previous year, while that on overseas horse racing was 13% in excess of the total of the previous year. Sales on other sporting events continued its steady increase and was 88% more than the \$120M of the previous year.

Total sales across the industry was \$7.7B or 7% more than the \$7.2B of the previous year. It should be noted that there was a 20% increase in the sales generated by bookmakers on overseas horse racing. This increase may be attributed to the discontinuation of sales on such races by the racing promoter.

TABLE 2
SUMMARY OF BOOKMAKERS' SALES
FISCAL YEARS APRIL 2008 - MARCH 2012

	Y/E MAR. 2008	Y/E MAR. 2009	% CHANGE	Y/E MAR. 2010	% CHANGE	Y/E MAR. 2011	% CHANGE	Y/E MAR. 2012	% CHANGE
BOOKMAKERS									
LOCAL	1,592,845,909	1,837,984,418	15.39%	1,884,994,413	2.56%	1,765,124,814	-6.36%	2,008,402,574	13.78%
NO. OF RACE DAYS	80	82		80		85		83	
AVG. SALES	19,910,574	22,414,444	12.58%	23,562,430	5.12%	20,766,174	-11.87%	24,197,621	16.52%
OVERSEAS	999,972,551	889,483,998	-11.05%	1,086,401,423	22.14%	1,073,533,180	-1.18%	1,209,128,724	12.63%
NO. OF RACE WEEKS	52	52		52		52		53	
AVG. SALES	19,230,241	17,105,462	-11.05%	20,892,335	22.14%	20,644,869	-1.18%	22,813,750	10.51%
OTHER SPORTING EVENTS	33,385,054	3,615,499	-89.17%	2,697,391	-25.39%	119,597,243	4333.81%	224,929,543	88.07%
NO. OF RACE WEEKS	52	52		52		52		53	
AVG. SALES	642,020	69,529	-89.17%	51,873	-25.39%	2,299,947	4333.81%	4,243,954	84.52%
TOTAL FOR OVERSEAS	1,033,357,605	893,099,497	-13.57%	1,089,098,814	21.95%	1,193,130,423	9.55%	1,434,058,267	20.19%
TOTAL FOR BOOKMAKERS	2,626,203,514	2,731,083,915	3.99%	2,974,093,227	8.90%	2,958,255,237	-0.53%	3,442,460,841	16.37%
TOTAL FOR RACING PROMOTER	4,356,621,360	4,820,727,601	10.65%	4,756,506,998	1.35%	4,287,926,709	-9.85%	4,319,380,531	0.73%
INDUSTRY TOTAL	6,982,824,874	7,551,811,516	8.15%	7,730,600,225	2.37%	7,246,181,946	-6.27%	7,761,841,372	7.12%

FIGURE 1
SALES TREND FOR APRIL 2008 - MARCH 2012



Provided at **Figure 2** is a graphic overview of the dominance of the promoter in terms of sales within the industry. It shows that notwithstanding the improved sales on sporting events other than horse racing by bookmakers, the promoter was responsible for 56% of the sales generated and bookmakers the remaining 44%. The 18% recorded by bookmakers on overseas horse racing was inclusive of wagers on other sporting events.

FIGURE 2
FISCAL YEAR SALES
APRIL 2011 - MARCH 2012

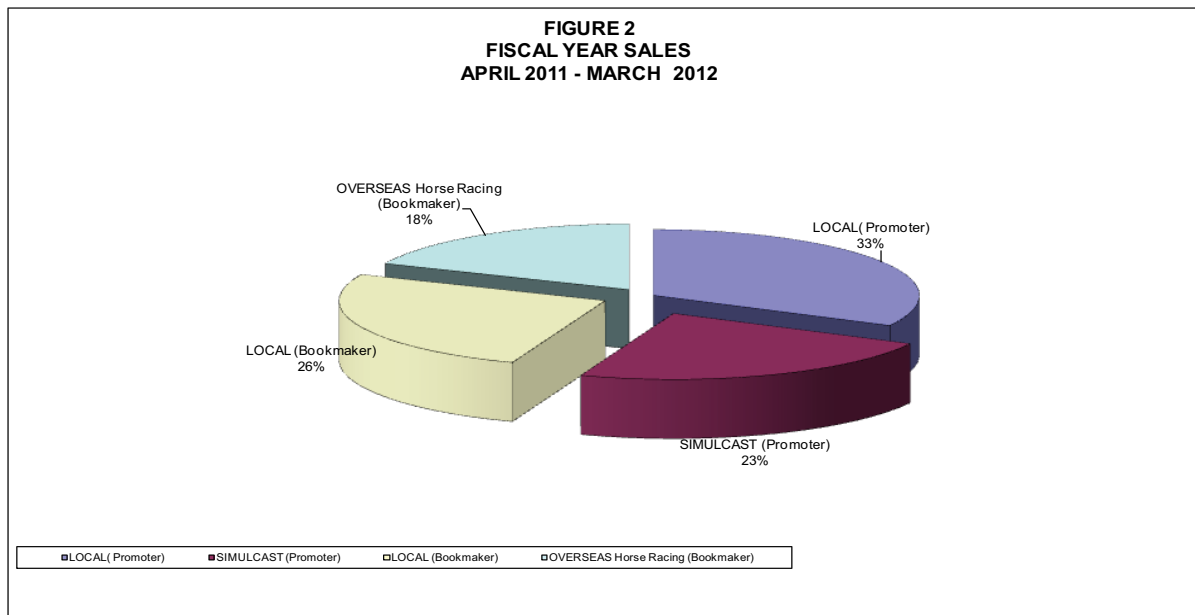


Table 3 provides information on the sales performance of individual bookmakers. Champion Betting Co. Limited was the leading bookmaker with total sales of \$1.2B from the total of 78 betting offices operated. They were followed by Track Price Plus Limited with total sales of \$881M from 70 betting offices. It should be noted that Big 'A' Track 2003 Limited only accepted wagers on sporting events other than horse racing and was the leader in this regard with sales of \$132M.

On the converse, Summit Betting Co. Limited operated a single betting outlet and realized sales of \$454K. Of the four companies that accepted wagers on sporting events other than horse racing, Champion Betting Co. Limited reported the relatively small sales of \$6M from the five betting offices that accepted such bets.

TABLE 3
BOOKMAKERS SALES LOCAL & OVERSEAS
FISCAL YEAR APRIL 2011 - MARCH 2012

BOOKMAKERS	LOCAL RACING		OVERSEAS RACING		OTHER SPORTING EVENTS	
	SALES \$	NO. OF BETTING OFFICES OPERATED	SALES \$	NO. OF BETTING OFFICES OPERATED	SALES \$	NO. OF BETTING OFFICES OPERATED
BIG "A" TRACK 2003 LIMITED	N/A	N/A	N/A	N/A	132,433,000	48
CAPITAL BETTING & WAGERING LIMITED	119,954,298	35	N/A	N/A	N/A	N/A
CARIBBEAN TURF SERVICE LIMITED	119,871,702	14	N/A	N/A	N/A	N/A
CHAMPION BETTING COMPANY LIMITED	643,209,678	78	586,908,091	58	6,183,719	5
IDEAL BETTING COMPANY LIMITED	193,582,528	24	92,864,483	14	N/A	N/A
MARKHAM BETTING COMPANY LIMITED	411,051,548	49	177,692,285	36	77,267,217	6
POST TO POST BETTING LIMITED	498,612	1	N/A	N/A	N/A	N/A
SUMMIT BETTING COMPANY LIMITED	454,305	1	N/A	N/A	N/A	N/A
TRACK PRICE PLUS LIMITED	519,779,903	70	351,663,865	54	9,045,607	9
TOTAL	2,008,402,574	272	1,209,128,724	162	224,929,543	68

Provided at **Table 4** is a comparison of the reported sales of individual bookmakers over the review period and the previous year. It shows that Big 'A' Track 2003 Limited recorded the largest increase of 119% moving from \$60M over the 2011 fiscal year to the previously mentioned \$132M. As regards the sales performance on local horse racing, Ideal Betting Co. Limited reported the largest increase of 34% with sales moving from \$144M over the 2011 fiscal year to \$194M over the review period. On the converse, of the bookmakers that operated multiple locations, Capital Betting and Wagering Limited reported the largest

decline in local horse racing of 12% with sales slipping from \$137M in fiscal year 2011 to \$120M over the review period.

As regards sales on overseas horse racing, Champion Betting Co. Limited reported the largest increase of 19%, progressing from \$494M in fiscal year 2011 to \$587M over the review period. In contrast, Track Price Plus Limited reported an increase of 2%, moving from \$344M in fiscal year 2011 to \$352M over the review period.

TABLE 4
BOOKMAKERS' COMPARATIVE SALES
FISCAL YEAR ENDED MARCH 2011 AND MARCH 2012

BOOKMAKERS	LOCAL 2011	LOCAL 2012	% CHANGE	OVERSEAS 2011	OVERSEAS 2012	% CHANGE	OTHER SPORTING EVENTS 2011	OTHER SPORTING EVENTS 2012	% CHANGE
BIG 'A' TRACK (2003) LIMITED	0	0	0.00%	N/A	N/A	N/A	60,369,100	132,433,000	119.37%
CAPITAL BETTING & WAGERING LIMITED	136,908,353	119,954,298	-12.38%	N/A	N/A	N/A	N/A	N/A	N/A
CARIBBEAN TURF SERVICE LIMITED	117,039,041	119,871,702	2.42%	N/A	N/A	N/A	N/A	N/A	N/A
CHAMPION BETTING COMPANY LIMITED	530,639,671	643,209,678	21.21%	493,667,395	586,908,091	18.89%	9,263,038	6,183,719	-33.24%
CHARLES OFF BETTING LIMITED	12,495,240	0	-100.00%	N/A	N/A	N/A	N/A	N/A	N/A
IDEAL BETTING COMPANY LIMITED	144,111,858	193,582,528	34.33%	80,442,048	92,864,483	15.44%	N/A	N/A	N/A
MARKHAM BETTING COMPANY LIMITED	329,714,866	411,051,548	24.67%	155,590,982	177,692,285	14.20%	35,520,355	77,267,217	117.53%
POST TO POST BETTING LIMITED	790,888	498,612	-36.96%	N/A	N/A	N/A	N/A	N/A	N/A
SUMMIT BETTING COMPANY LIMITED	613,835	454,305	-25.99%	N/A	N/A	N/A	N/A	N/A	N/A
TRACK PRICE PLUS LIMITED	492,811,062	519,779,903	5.47%	343,832,755	351,663,865	2.28%	14,444,750	9,045,607	-37.38%
TOTAL	1,765,124,814	2,008,402,574	13.78%	1,073,533,180	1,209,128,724	12.63%	119,597,243	224,929,543	88.07%

Table 5 details the payouts reported by bookmakers over the review period. Total payouts on local horse racing were over \$1B or 16% more than that of the previous year. Of the eight bookmakers that accepted wagers on this betting mode, six reported increased payouts when compared to the corresponding period of the previous year. Ideal Betting Co. Limited reported the largest increase of 39% moving from \$96M in fiscal year 2011 to \$133M over the review period. Of the two bookmakers that reported a decrease in payouts on this betting mode, Capital Betting and Wagering Limited reported the largest of 13%, moving from \$87M for fiscal year 2011 to \$76M over the review period.

There was also an increase in the reported payouts on overseas horse racing as the total progressed from \$712M over fiscal year 2011 to \$791M over the review period. Champion Betting Co. Limited reported the largest increase of 18% moving from \$327M for fiscal year 2011 to \$386M over the review period. On the converse, Track Price Plus Limited reported

no appreciable increases as the company's payouts on this betting mode was basically the same over the review period when compared to the previous year.

Total payouts on other sporting events were \$182M or 113% more than the \$85M of the previous year. Big 'A' Track 2003 Limited reported the largest payouts on such events of \$87M or 134% more than that of the corresponding period of the previous year. Of the two bookmakers that recorded a decrease in payouts, Track Price Plus Limited reported the largest of 19%, moving from \$12M over fiscal year 2011 to \$10M over the review period.

TABLE 5
BOOKMAKERS' COMPARATIVE PAYOUTS
FISCAL YEAR ENDED MARCH 2011 AND MARCH 2012

BOOKMAKERS	LOCAL 2011	LOCAL 2012	% CHANGE	OVERSEAS 2011	OVERSEAS 2012	% CHANGE	OTHER SPORTING EVENTS 2011	OTHER SPORTING EVENTS 2012	% CHANGE
BIG 'A' TRACK (2003) LIMITED	0	0	0.00%	N/A	N/A	N/A	36,955,071	86,562,100	134.24%
CAPITAL BETTING & WAGERING LIMITED	87,310,200	76,220,741	-12.70%	N/A	N/A	N/A	N/A	N/A	N/A
CARIBBEAN TURF SERVICE LIMITED	70,924,618	77,003,336	8.57%	N/A	N/A	N/A	N/A	N/A	N/A
CHAMPION BETTING COMPANY LIMITED	338,684,190	418,351,317	23.52%	326,518,931	385,786,110	18.15%	8,298,302	7,902,054	-4.78%
CHARLES OFF BETTING LIMITED	7,204,154	0	-100.00%	N/A	N/A	N/A	N/A	N/A	N/A
IDEAL BETTING COMPANY LIMITED	95,874,053	133,279,081	39.01%	52,969,880	60,976,670	15.12%	N/A	N/A	N/A
MARKHAM BETTING COMPANY LIMITED	223,448,281	281,436,709	25.95%	104,423,137	115,549,796	10.66%	28,323,544	78,405,543	176.82%
POST TO POST BETTING LIMITED	414,405	429,897	3.74%	N/A	N/A	N/A	N/A	N/A	N/A
SUMMIT BETTING COMPANY LIMITED	252,804	240,550	-4.85%	N/A	N/A	N/A	N/A	N/A	N/A
TRACK PRICE PLUS LIMITED	325,374,739	347,993,781	6.95%	227,836,871	228,278,842	0.19%	11,813,255	9,624,089	-18.53%
TOTAL	1,149,487,444	1,334,955,412	16.13%	711,748,819	790,591,418	11.08%	85,390,172	182,493,786	113.72%

The gross profit recorded by each bookmaker over the review period is at **Table 6**. From total sales of \$3B and payouts of \$2B, bookmakers realized gross profits of \$1B or 33% of sales. Total payouts as a percentage of sales was 67% with Post to Post Betting Limited reporting the largest of 86% from the single betting office operated by the company. Among the licensees that operated multiple locations, Markham Betting Co. Limited had the largest of 71%, while Capital Betting and Wagering Limited had the smallest at 64%. Gross profits as a percentage of sales among bookmakers with multiple locations was led by Capital Betting and Wagering Limited with 36%, while on the converse, Markham Betting Co. Limited reported gross profits as a percentage of sales of 29%.

TABLE 6
INDIVIDUAL BOOKMAKERS GROSS PROFIT
FISCAL YEAR APRIL 2011 - MARCH 2012

BOOKMAKERS	SALES	PAYOUTS	PAYOUT AS A % OF SALES	GROSS PROFIT	GROSS PROFIT AS % OF SALES
BIG "A" TRACK 2003 LIMITED	132,433,000	86,562,100	65.36%	45,870,900	34.64%
CAPITAL BETTING & WAGERING LIMITED	119,954,298	76,220,741	63.54%	43,733,557	36.46%
CARIBBEAN TURF SERVICE LIMITED	119,871,702	77,003,336	64.24%	42,868,366	35.76%
CHAMPION BETTING COMPANY LIMITED	1,236,301,488	812,039,481	65.68%	424,262,007	34.32%
IDEAL BETTING COMPANY LIMITED	286,447,011	194,255,751	67.82%	92,191,260	32.18%
MARKHAM BETTING COMPANY LIMITED	666,011,050	475,392,048	71.38%	190,619,002	28.62%
POST TO POST BETTING LIMITED	498,612	429,897	86.22%	68,715	13.78%
SUMMIT BETTING COMPANY LIMITED	454,305	240,550	52.95%	213,755	47.05%
TRACK PRICE PLUS LIMITED	880,489,375	585,896,712	66.54%	294,592,663	33.46%
TOTAL	3,442,460,841	2,308,040,616	67.05%	1,134,420,225	32.95%

Details of the average sales, payouts and profits realized by each bookmaker are provided at **Table 7**. Average gross profits per betting office was \$4M from total average sales of \$11M and total average payouts of \$7M. Champion Betting Co. Limited recorded the largest average gross profits per betting office of \$5M and was followed by Track Price Plus Limited with \$4M. Among bookmakers that operated multiple betting offices, Big 'A' Track 2003 Limited recorded the smallest average gross profits of \$956K. Capital Betting and Wagering Limited reported average gross profits per betting office of \$1M, the lowest among bookmakers that accepted wagers on horse racing and operated multiple locations.

TABLE 7
INDIVIDUAL BOOKMAKERS AVERAGE
SALES, PAYOUTS & GROSS PROFIT
FISCAL YEAR APRIL 2011 - MARCH 2012

BOOKMAKERS	BETTING OFFICES	TOTAL SALES	AVERAGE SALES	TOTAL PAYOUTS	AVERAGE PAYOUTS	GROSS PROFIT	AVERAGE GROSS PROFIT
BIG "A" TRACK (2003) LIMITED	48	132,433,000	2,759,021	86,562,100	1,803,377	45,870,900	955,644
CAPITAL BETTING & WAGERING LIMITED	35	119,954,298	3,427,266	76,220,741	2,177,735	43,733,557	1,249,530
CARIBBEAN TURF SERVICE LIMITED	14	119,871,702	8,562,264	77,003,336	5,500,238	42,868,366	3,062,026
CHAMPION BETTING COMPANY LIMITED	78	1,236,301,488	15,850,019	812,039,481	10,410,763	424,262,007	5,439,257
IDEAL BETTING COMPANY LIMITED	24	286,447,011	11,935,292	194,255,751	8,093,990	92,191,260	3,841,303
MARKHAM BETTING COMPANY LIMITED	49	666,011,050	13,592,062	475,392,048	9,701,879	190,619,002	3,890,184
POST TO POST BETTING LIMITED	1	498,612	498,612	429,897	429,897	68,715	68,715
SUMMIT BETTING COMPANY LIMITED	1	454,305	454,305	240,550	240,550	213,755	213,755
TRACK PRICE PLUS LIMITED	70	880,489,375	12,578,420	585,896,712	8,369,953	294,592,663	4,208,467
TOTAL	320	3,442,460,841	10,757,690	2,308,040,616	7,212,627	1,134,420,225	3,545,063

Information on the taxes, duties and levies payable and paid over the review period is at **Table 8**. A total of \$219M of the \$225M payable was liquidated. The total paid was comprised of \$188M by bookmakers and \$31M by the promoter. The bookmakers' total was made up of \$112M from the profits on local horse racing and \$75M from the profits on overseas horse racing and other sporting events. At the same time, the promoter's total was made up of \$10M from the profits on local horse racing and \$21M from the profits on simulcast horse racing.

TABLE 8
TAXES, DUTIES & LEVIES
PAYABLE AND PAID
FISCAL YEAR APRIL 2011 TO MARCH 2012

BETTING MODE	TAXES, DUTIES & LEVIES	PAYABLE	PAID
<u>BOOKMAKERS</u>			
<i>LOCAL RACING</i>	9% GROSS PROFIT TAX	60,610,245	61,090,910
	3% CONTRIBUTION TO BGLC	20,203,415	20,358,516
	4.5% CONTRIBUTION TO JRC	30,305,122	30,547,377
	\$80 SPECIFIC LEVY	48,240	48,560
	TOTAL	111,167,022	112,045,363
<i>OVERSEAS RACING</i>	9% GROSS PROFIT TAX	26,563,705	37,897,941
	3% CONTRIBUTION TO BGLC	8,854,568	12,632,783
	4.5% CONTRIBUTION TO JRC	13,281,853	18,949,015
<i>SPORTS EVENTS</i>	7% GROSS PROFIT TAX	2,970,503	4,275,803
	1% CONTRIBUTIONS TO BGLC	424,358	613,687
	1% CONTRIBUTIONS TO CHASE FUND	424,358	1,454,967
	TOTAL	52,519,345	75,824,196
	TOTAL FOR BOOKMAKERS	163,686,367	187,869,559
<u>RACING PROMOTER</u>			
<i>LOCAL RACING</i>	2% GROSS PROFIT TAX	4,850,377	2,566,481
	1% CONTRIBUTION TO BGLC	2,425,189	1,283,241
	4.5% CONTRIBUTION TO JRC	10,913,349	5,774,583
	TOTAL	18,188,915	9,624,305
<i>SIMULCAST RACING</i>	2% GROSS PROFIT TAX	11,547,700	5,633,417
	1% CONTRIBUTION TO BGLC	5,773,850	2,816,717
	4.5% CONTRIBUTION TO JRC	25,982,324	12,675,226
	TOTAL	43,303,874	21,125,360
-	TOTAL FOR RACING PROMOTER	61,492,789	30,749,665
	TOTAL FOR INDUSTRY	225,179,156	218,619,224

Conclusion

The sales performance across the betting sector was relatively flat, as the 7% increase reported was within the annual inflation rate. The continued absence of sales on English racing by the promoter was a contributing factor to this anemic performance. It is however envisaged that wagering on sporting events other than horse racing will continue to improve commensurate with an increase in the number of betting outlets.

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, Pick 3, Dollaz!, Lucky 5, Instant games and Cashpot. In addition, SVLL started a new game, "Pick 4", on Monday, January 16, 2012 and based on its payout and popularity it should become the second most popular game to the Cashpot game.

During the year the Commission collected \$261 million from all lotteries combined.

TABLE 1	
SUMMARY OF INCOME FROM LOTTERIES FISCAL Y/E 2012	
Lottery Sales	\$26 billion, a 17.8% increase
Government Levy	\$1.5 billion, a decrease of 1.68%
Contribution to the CHASE Fund	\$1.2 billion, an increase of 11%
Contribution to the BGLC	\$262 million, an increase of 17.8%
Lottery Fees paid	\$30 million

3.2 Super Lotto

There were two jackpot winners during the period under review. The winners were from Jamaica and Barbados respectively. The Jamaican won J\$232 million of the total advertised Jackpot of J\$387 million, while the Barbadian won the advertised jackpot of J\$362 million equivalent.

3.3 Lottery Sales

During the year 2011-2012 lottery sales for all games were \$26 billion in comparison to \$22 billion in 2011. This showed a 17.84% increase over sales of the previous year.

Pick 4

The sales for the newly added game, Pick 4, totaled \$1 billion during the period and seem quite popular amongst participants of the game.

Increased Sales

Cashpot

For the period under review, the Cashpot game realized sales of \$19.5 billion a 16.56% increase over similar period the previous year. This game contributed 73% of the industry sales for the year ending March 2012. It is to be noted that this game is drawn four times daily, six days weekly.

Pick 2

The sales for the Pick 2 game were \$696 million for the year compared to sales of \$232 million in 2011. This game showed an increase of 200.34% over similar period the previous year.

Decreased Sales

Lotto

During the period, Lotto sales fell by 3.17% when compared to sales over similar period of the previous year. The sales for the lotto game were \$1.03 billion while for the previous year sales were \$1.06 billion.

Pick 3

The sales for the Pick 3 game decreased by 2.03% compared to similar period in the previous year. Sales for this game were \$2.77 billion compared to \$2.82 billion in the previous year.

Lucky 5

The sales for the Lucky 5 game decreased by 24.49% compared to similar period the previous year. The sales recorded for this game were \$359 million for the year ending March 2012 compared to sales of \$475 million for year ended March 2011.

Dollaz!

The Dollaz! game realized sales of \$209 million compared to \$259 million, a 19.33% decrease in sales over similar period the previous year.

Super Lotto

The sales for the Super Lotto game in Jamaica decreased by 2.99% compared to similar period in the previous year. Sales for this game were \$486 million compared to \$501 million in the previous year.

Instant

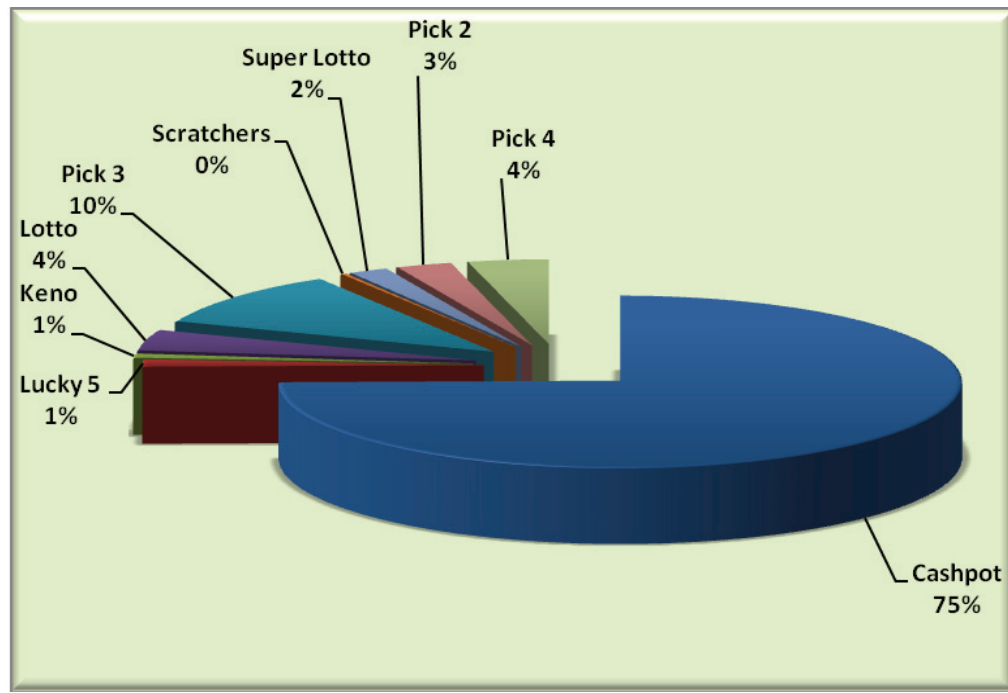
The sales for the Instant game decreased over that of the previous year by 24.08%. The sales for the instant games for the year ending 2012 were \$57 million when compared to \$75 million for the year ended 2011.

Table 2 below shows comparative lottery sales for the year ending 2012 vs. 2011, while **Figure 1** shows share of lottery sales by games, **Figure 2** shows lottery sales trend for year ending 2003-2012.

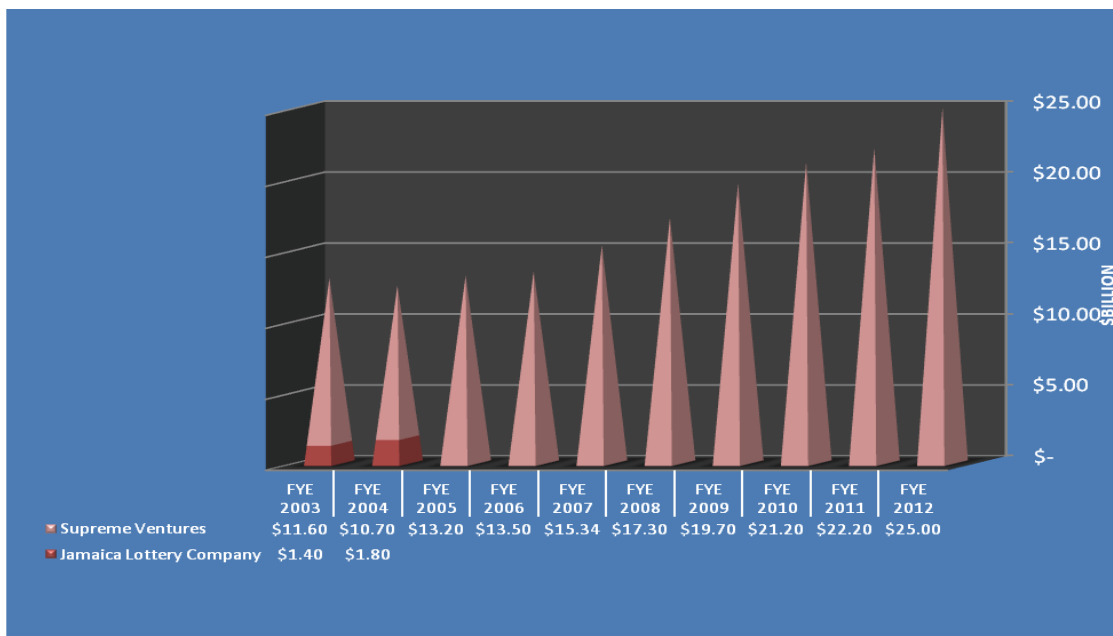
TABLE 2
COMPARATIVE LOTTERY SALES
Y/E 2012 v 2011

GAMES	FISCAL Y/E 2012	FISCAL Y/E 2011	%
Cashpot	19,541,559,270	16,764,963,569	16.56%
Lucky 5	359,063,214	475,520,400	-24.49%
Keno	209,620,880	259,844,890	-19.33%
Lotto	1,032,762,010	1,066,529,100	-3.17%
Pick 3	2,767,517,870	2,824,756,323	-2.03%
Scratchers	57,174,500	75,313,000	-24.08%
Super Lotto	486,090,550	501,085,250	-2.99%
Pick 2	696,728,113	232,053,900	200.24%
Pick 4	1,008,994,310	-	100.00%
TOTAL	26,159,510,717	22,200,066,432	17.84%

**FIGURE 1
SHARE OF LOTTERY SALES BY GAME
FISCAL Y/E 2012**



**FIGURE 2
LOTTERY SALES TREND
FISCAL Y/E 2003 – 2012**



3.3 Prize Liability

During the year ending March 2012 lottery prize liability was \$18.5 billion or 67.97% of sales.

Instant

The Instant game payout was \$34 million or 58.86% of prize liability for the period ending March 2012.

Pick 4

The Pick 4 prize liability for the year ended March 2012 was \$687 million or 68.07% of sales.

Increased Liabilities

Cashpot

The Cashpot game liability for the period was 74.57% or 2.57% above statistical projections of 72%. The total liability payout by the Cashpot game was \$14.5 billion for the year ending March 2012.

Pick 2

The Pick 2 game liability for the year ended March 2012 was \$413 million or 59.26% of sale. This showed a 1.39% above expected liability of 57.87%.

Pick 3

The Pick 3 game payout for the year ended March 2012 was \$1.7 billion or 61.11% of sales. This showed a 1.11% above expected liability of 60%.

Super Lotto

The Super Lotto game payout for the year ended March 2012 was \$316 million or 65.05% of sales. This showed a 15.05% more than expected liability of 50%.

Decreased Liabilities**Lucky 5**

The Lucky 5 game liability was 43.86% when compared to expected liability of 50.9%, resulting in 7.04% less than expected liability for the year ending March 2012. The total liability payout for this game during the year was \$157 million.

Dollaz!

The Dollaz! game payout for year ended March 2012 was \$115 million which shows a prize liability of 54.99% or 0.19% less than expected payout of 54.8%.

Lotto

The Lotto game payout for the year ended March 2012 was \$496 million or 48.05% of sales. This showed a 3.95% less than expected liability of 52%.

Table 3 below shows the lottery prize liability for the fiscal year ending March 2012

**TABLE 3
LOTTERY PRIZE LIABILITY
FISCAL Y/E 2012**

GAMES	LOTTERY SALES	PRIZE LIABILITY	ACTUAL LIABILITY	EXPECTED LIABILITY
Cashpot	19,541,559,270	14,572,153,360	74.57%	72.00%
Lucky 5	359,063,214	157,468,206	43.86%	50.90%
Keno	209,620,880	115,263,100	54.99%	54.80%
Lotto	1,032,762,010	496,243,214	48.05%	52.00%
Pick 3	2,767,517,870	1,691,261,000	61.11%	60.00%
Scratchers	57,174,500	33,653,862	58.86%	N/A
Super Lotto	486,090,550	316,198,850	65.05%	50.00%
Pick 2	696,728,113	412,892,300	59.26%	57.87%
Pick 4	1,008,994,310	686,844,000	68.07%	
TOTAL	26,159,510,717	18,481,977,892	70.65%	67.97%

3.4 Government Revenue

17% Lottery tax & 15% Lottery Winning Levy

During the year ending March 2012 Government Levy payable was \$1.5 billion inclusive of Lottery Winning Levy. There was a 1.68% decrease in government levy payable over similar period in 2011. The Lucky 5, Dollaz!, Pick 3, Lotto and Super Lotto games were the main contributors to this reduction. All games recorded a reduction in their levy payment over similar period for the previous year. A contributory factor was the higher payout ratio this year over the previous year.

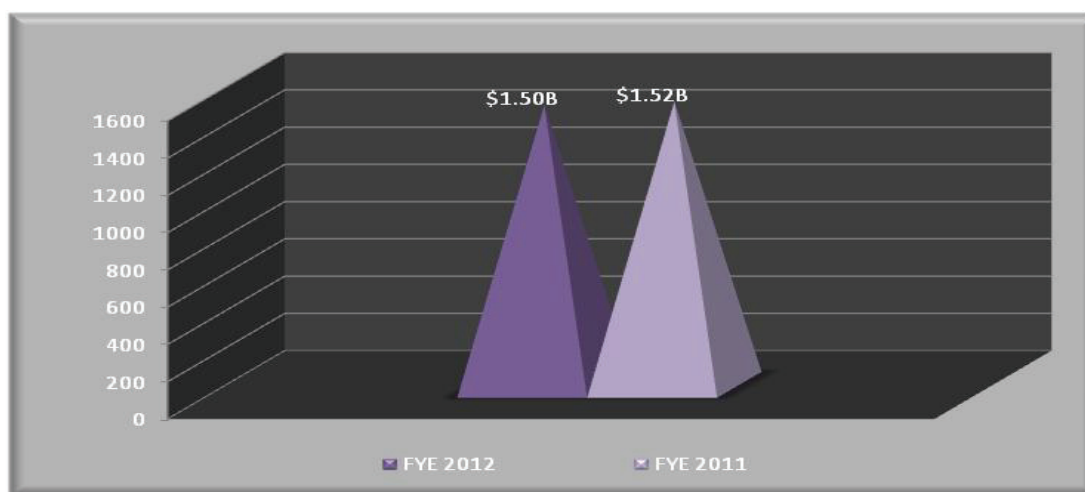
Lottery Winning Levy for the year ended March 2012 was \$189 million when compared to \$267 million in 2011 a decrease of 29.20% over similar period the previous year.

Table 4 below show government levy payable for the fiscal year ending March 2012, while **Figure 3** shows comparative levy payable for the period.

TABLE 4
GOVERNMENT LEVY PAYABLE
FISCAL Y/E 2012 v 2011

GAMES	FISCAL Y/E 2012	FISCAL Y/E 2011	%
Cashpot	844,799,005	805,546,299	4.87%
Lucky 5	34,271,151	37,655,426	-8.99%
Keno	21,702,289	27,660,140	-21.54%
Lotto	114,016,926	117,744,813	-3.17%
Pick 3	182,963,668	184,661,365	-0.92%
Scratchers	3,998,508	5,251,997	-23.87%
Super Lotto	55,900,413	57,624,804	-2.99%
Pick 2	48,252,088	17,333,982	178.37%
Pick 4	54,765,553	-	100.00%
Sub-Total	1,360,669,602	1,253,478,825	8.55%
BWT PAID	189,273,672	267,322,105	-29.20%
TOTAL	1,549,943,274	1,520,800,930	1.92%

FIGURE 3
COMPARATIVE LEVY PAYABLE
FISCAL Y/E 2012 vs 2011



3.5 CHASE Fund Contributions

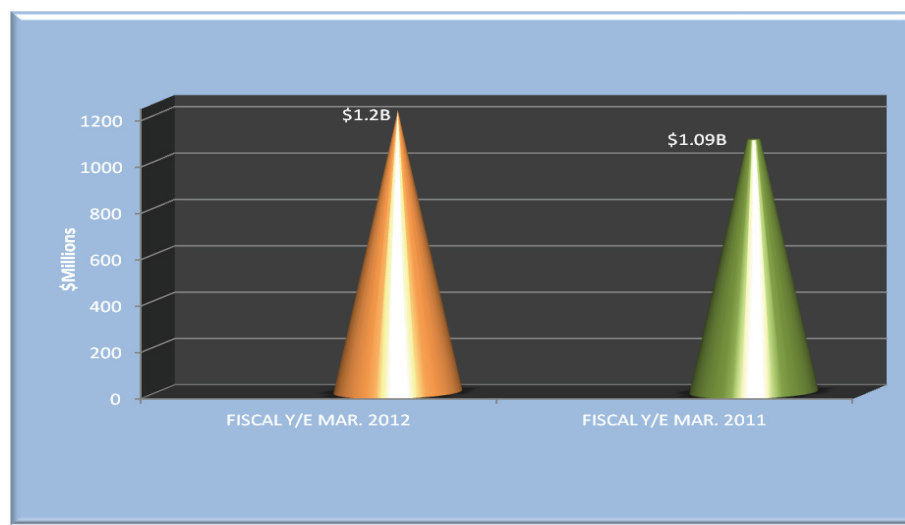
Contributions to good causes for the fiscal year showed an 11% increase over the similar period in 2011. The total contribution was \$1.2 billion compared to \$1.08 billion in 2011. The main contributor to this increase was the Cashpot game, which contributed \$779 million or 65% of total contributions to the CHASE Fund and represented a 5.7% increase over the previous year. The Pick 3 game, at \$182 million was the second largest contributor to the Fund although there was a slight decrease over the previous year.

Table 5 overleaf shows the contribution to the CHASE fund per game and **Figure 4** shows the comparative contributions payable for fiscal ended 2012 v 2011

TABLE 5
CONTRIBUTION TO THE CHASE FUND
FISCAL Y/E 2012 vs. 2011

GAMES	FISCAL Y/E MARCH 2012			FISCAL Y/E MARCH 2011			
	From Sales	From U/C Prizes	Total	From Sales	From U/C Prizes	Total	%Δ
Cashpot	745,410,887	33,918,236	779,329,123	710,776,146	26,723,773	737,499,919	5.7%
Lucky 5	26,929,741	3,427,405	30,357,146	35,664,030	5,567,479	41,231,509	-26.4%
Keno	15,721,566	4,306,489	20,028,055	19,488,367	5,909,220	25,397,587	-21.1%
Lotto	77,457,151	34,816,647	112,273,798	79,989,683	10,970,842	90,960,525	23.4%
Pick 3	115,405,495	16,557,555	131,963,050	117,792,339	14,963,675	132,756,014	-0.6%
Scratchers	4,288,088	N/A	4,288,088	5,648,475	N/A	5,648,475	-24.1%
Super Lotto	36,456,791	6,770,562	43,227,353	37,581,394	8,524,227	46,105,621	93.8%
Pick 2	29,053,562	17,404,494	46,458,056	9,676,648	609,700	10,286,348	451.6%
Pick 4	42,075,063	-	42,075,063	-	-	-	100.0%
TOTAL	1,092,798,343	117,201,388	1,209,999,731	1,016,617,080	73,268,916	1,089,885,996	11.0%

FIGURE 4
COMPARATIVE CONTRIBUTIONS PAYABLE
FISCAL Y/E 2012 vs 2011



3.6 BGLC Contributions

The Betting, Gaming & Lotteries Commission received a total of \$262 million from the sales of the lottery games in 2012. This showed an increase of 17.84% over similar period in 2011. The Cashpot game accounted for \$195 million, a 16.56% increase over similar period in 2011. All other games' contribution to the Commission declined with the exception of the Pick 2 game.

Table 6 below shows the BGLC 1% fee payable by game for the 2012 vs. 2011.

TABLE 6
BGLC 1% FEE PAYABLE BY GAME
FISCAL Y/E 2012 VS 2011

GAMES	FISCAL Y/E 2012	FISCAL Y/E 2011	%
Cashpot	195,415,593	167,649,636	16.56%
Lucky 5	3,590,632	4,755,204	-24.49%
Keno	2,096,209	2,598,449	-19.33%
Lotto	10,327,620	10,665,291	-3.17%
Pick 3	27,675,179	28,247,563	-2.03%
Scratchers	571,745	753,130	-24.08%
Super Lotto	4,860,906	5,010,853	-2.99%
Pick 2	6,967,281	2,320,539	200.24%
Pick 4	10,089,943	-	100.00%
TOTAL	261,595,107	222,000,664	17.84%

CHAPTER FOUR GAMING SECTOR

TABLE 1
GAMING SECTOR INCOME FOR FISCAL Y/E 2012

Gaming Machines Levy to Consolidated Fund	\$30 million
Gaming Lounges Contribution to Consolidated Fund	\$197 million
Gaming Lounges Contribution to CHASE Fund	\$30 million
BGLC Gaming Machines Contribution	\$95 million

4.1 Summary

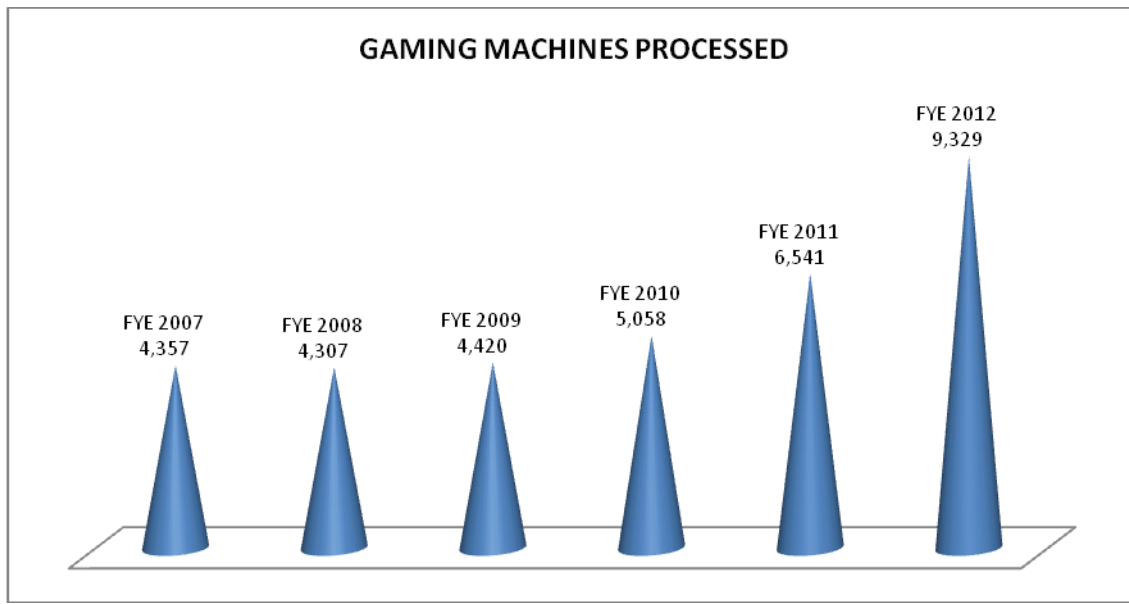
During the year the Commission received applications for 9,329 gaming machines. These included payments made to the Commission and Consolidated Fund. The total amount collected for licence and disc fees was \$17M and for levy paid to the Consolidated Fund \$30M for the year. Comparing the inflows of the fiscal year ending March 2012 to March 2011 there was an increase of \$38.91% to the BGLC and 19.44% to the Consolidated Fund.

See **Table 2** for Gaming Machine Application and licensing Fee, while **Figure 1** shows gaming machine processed for the years ending March 2007 to March 2012

TABLE 2
GAMING MACHINE APPLICATION AND LICENSING FEE
COMPARATIVE FISCAL Y/E 2012 vs. 2011

PERIOD	NO. GAMING MACHINES			APPLICATION FEE \$'000			LICENSING FEE \$'000		
	2012	2011	Variance	2012	2011	Variance	2012	2011	Variance
April	1156	485	138.4%	2,654.5	1,036.0	156.2%	4,415.5	2,670.0	65.4%
May	1137	707	60.8%	1,615.0	1,043.0	54.8%	3,283.0	2,485.0	32.1%
June	794	355	123.7%	1,697.0	761.0	123.0%	3,200.0	1,755.0	82.3%
July	470	283	66.1%	911.0	666.0	36.8%	1,564.0	2,090.0	-25.2%
August	456	434	5.1%	962.5	741.0	29.9%	1,684.0	1,370.0	22.9%
September	337	307	9.8%	490.0	449.0	9.1%	796.0	825.0	-3.5%
October	131	492	-73.4%	188.0	463.0	-59.4%	290.0	467.0	-37.9%
November	328	183	79.2%	526.0	310.0	69.7%	851.0	636.0	33.8%
December	637	172	270.3%	682.0	335.1	103.5%	996.0	803.2	24.0%
January	121	382	-68.3%	209.4	429.0	-51.2%	360.0	596.8	-39.7%
February	864	367	135.4%	1,407.0	775.1	81.5%	3,029.0	1,568.0	93.2%
March	2898	2374	22.1%	6,005.0	5,480.0	9.6%	9,956.0	10,206.0	-2.4%
TOTAL	9329	6541	42.62%	17,347.4	12,488.2	38.91%	30,424.5	25,472.0	19.44%

FIGURE I
GAMING MACHINES PROCESSED
FISCAL Y/E MARCH 2007 – 2012



4.2 Gross Profit Tax

During the year the Commission collected \$79 million in revenues from GPT locations, while the Consolidated and CHASE Funds collected \$197 million and \$30 million, respectively. The twenty-eight (28) locations below contributed \$304 million in revenues and contribution to the Commission, Consolidated Fund and CHASE Fund, which represent 10% of their gross profit. A detailed break-down of the total contributions made by each location is shown below. See **Table 3** below.

TABLE 3
GAMING LOUNGE ACTIVITY
FISCAL Y/E MARCH 2012

REVENUE FROM GAMING LOUNGES				
LICENSEE / LOCATION		FYE MARCH 2012		
		LEVY	BGLC FEE	CHASE
PRIME SPORTS				
1	ACROPOLIS - Barbican	22,769,802.36	9,702,264.91	3,503,046.56
	ACROPOLIS - May Pen	1,175,666.72	452,179.51	180,871.80
2	CORAL CLIFF	13,891,101.99	5,730,181.77	2,137,092.60
3	ACROPOLIS - Portmore	3,856,551.50	1,664,652.22	593,315.28
TOTAL		41,693,122.57	17,549,278.41	6,414,326.24
VILLAGE RESORTS				
4	HEDONISM 11	142,838.68	56,368.25	22,568.33
5	BREEZES GRAND	106,253.80	40,866.85	16,345.91
6	BREEZES TRELAWNY	292,377.52	110,016.51	44,981.15
7	Breezes Runaway Bay	168,276.60	68,137.22	26,281.06
8	HEDONISM 111/Superfun	27,698.23	10,653.16	4,261.27
TOTAL		737,444.83	286,041.99	114,437.72
EVERGLADES FARM				
9	MONTE CARLO	80,362,496.19	30,908,651.55	12,363,459.86
10	Christelles	5,224,744.83	2,042,150.01	803,808.00
11	Vegas - Kgn	7,981,614.83	3,037,220.39	1,227,940.75
12	Vegas - Bogue	8,036,566.24	3,090,985.31	1,236,395.08
TOTAL		101,605,422.09	39,079,007.26	15,631,603.69
BELJAM TECHNOLOGY LIMITED				
13	TREASURE HUNT - Ocho Rios	16,075,425.30	6,182,856.21	2,473,142.44
14	TREASURE HUNT - Kgn	15,116,642.11	5,814,100.15	2,325,637.21
TOTAL		31,192,067.41	11,996,956.36	4,798,779.66
YAHMAN TECHNOLOGY				
15	Treasure Hunt - Whitter Village	14,819,772.83	5,699,912.59	2,280,965.02
HORIZON CAR RENTL				
	Caribbean Treasures	128,478.52	49,414.83	19,764.05
WORLDWIDE CONCEPTS				
16	Riu Ocho Rios	662,084.33	254,647.81	101,859.12
17	Sunset Jamaica Grande	1,016,488.98	390,957.82	147,910.49
18	Riu Tropical Bay	94,380.66	36,262.10	14,287.81
19	Riu Negril	290,469.87	112,719.36	44,686.85
20	Grand Palladium	845,432.99	325,178.80	130,071.48
21	Riu Club - Montego Bay	787,038.65	302,706.76	121,082.86
22	Sunset Beach and Spa	697,717.57	268,352.92	107,341.13
TOTAL		4,393,613.05	1,690,825.57	667,239.74
ONISAC				
23	Grand Bahia Principe	216,152.23	83,135.21	33,254.22
WAYNE EBANKS				
24	El Rancho			
CTS				
25	Vegas Flamingo	1,551,247.28	300,283.32	124,387.21
RORY CHINN				
26	Macau Gaming	715,503.43	272,886.20	109,154.43
GRAND TOTAL		197,052,824.24	77,007,741.74	30,193,911.99

CHAPTER FIVE PRIZE COMPETITIONS

5.1 Summary

The Commission commenced the collection of fees for Prize Competition in February 2012.

The requirements of the fee structure are as follows:

- Promotions with total value of nominal prizes \leq \$500,000.00 pays \$20,000.00
- Promotions with total value of nominal prizes $>$ \$500,000.00 and \leq to \$1,000,000.00 pays \$50,000.00
- Promotions with total value of nominal prizes $>$ \$1,000,000.00 pays \$100,000.00

In addition to the above the following fees apply:

- Incomplete Application - \$15,000.00 **(to be charged on a one-off basis)**
- Late Application (less than 21 days) - \$15,000.00 **(to be charged on a one-off basis)**
- Extension of expiry date of promotion - \$15,000.00

During the first two months of the new fee structure the Commission collected \$500,000 in February and \$1.1 million in March. The total received for application fees in February for Prize Competitions was \$560,000 while \$45,000 was collected with respect to incomplete applications and another \$45,000 for late fees. \$150,000 was refunded to applicants either for withdrawals, overpayments or applications that did not require approval from the Commission.

The total received for application fees for Prize Competitions in March was \$1,145,000; of the amount \$930,000 represents application fees, \$180,000 for incomplete, \$135,000 for late and \$30,000 for extension fees. \$130,000 was refunded for withdrawals, overpayment or for applications that did not require approval from the Commission. See **Table 1** for Revenue from Prize Competitions.

**TABLE 1
REVENUE FROM PRIZE COMPETITION
FISCAL Y/E MARCH 2012**

MONTHLY	No. Application received	No. Retracted	Application fee	Incomplete fee	Late fee	Extension fee	Refund	Total Collection
FEBRUARY	14	5	\$ 560,000	\$ 45,000	\$ 45,000	\$ -	\$ (150,000)	\$ 500,000
MARCH	22	1	\$ 930,000	\$ 180,000	\$ 135,000	\$ 30,000	\$ (130,000)	\$ 1,145,000
TOTAL	36	6	\$ 1,490,000	\$ 225,000	\$ 180,000	\$ 30,000	\$ (280,000)	\$ 1,645,000

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 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 aggressively to pursue the main perpetrators of the illegal Cash Pot business and illegal betting transactions. 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 one hundred and five operations were conducted during the year, a 38% increase over the 76 operations that were carried out during the last fiscal year. Ninety-three or 88% of the operations carried out involved the seizure of unlicensed gaming machines while the remaining twelve operations involved illegal gaming. Resulting from these operations, twenty-six persons were arrested, an 18% increase over the twenty-two persons who were arrested during the previous fiscal year. Convictions increased by 13% to twenty-six, when

compared to the twenty-three convictions that were achieved during the previous twelve months.

Cash seized from illegal operators declined by 9% to \$222,082 compared to the \$257,714 that was seized during the same period last year.

6.3 Court & Tribunal Activities

Court appearances by members of the Commission during the fiscal period were extensive, with fifty-seven visits to Magistrate Courts located in:

<u>Parishes</u>	<u>Total</u>
Clarendon	8
Saint Andrew	7
Saint Ann	14
Saint Elizabeth	19
Saint James	5
Saint Mary	2
Westmoreland	<u>2</u>
Total	57

Fines executed by the relevant Magistrate Courts during the period under review declined by 9% to \$1,070,000 compared to the \$1,165,700 that was executed by the relevant Magistrate Courts during 2010-2011.

The average fines have decreased by 19% to \$41,153, compared to last year average of \$50,682. The per unit cost for investigations and operations has almost doubled over the past 5 years, and with most persons now acquiring the services of a lawyer, the cost to the Commission in terms of per diem payments has also increased significantly. It should also be noted that each case has at least two investigators involved, and as such Court attendance and operations are almost mutually exclusive events in the Commission.

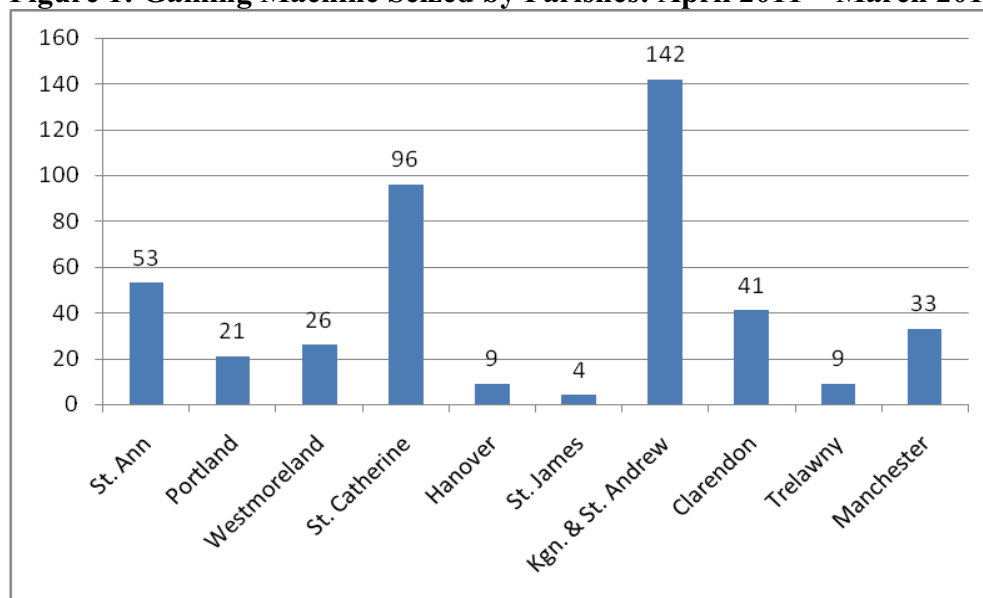
6.4 Gaming Machines

The seizure of unlicensed gaming machines continues to be one of the Commission's major objectives, as enforcement activity remains an important factor in the licensing of gaming machines. During the period under review, a total of 434 unlicensed gaming machines were seized, a 27% increase over the 342 unlicensed gaming machines that were seized during the corresponding period last year. The threat of seizure is a factor in the increased compliance among gaming operators, especially since machines are not released to repeat offenders until their application is fully processed and the licence issued.

Three hundred and thirty-four or 77% of the gaming machines that were seized were subsequently licensed and returned to their owners. This is significantly better than the one hundred and eighty six or 55% that were subsequently licensed and returned to their owners during the corresponding period last year.

Total revenues gained from the licensing of these machines was \$2,672,000, with \$1,670,000 going to the government and the remaining \$1,002,000 going to the Commission.

Figure 1 shows the number of unlicensed gaming machines that were seized from eleven parishes, with Kingston and St. Andrew recording the highest number of seized machines of 142, while St. James with 4, had the lowest number of seizures during the period under review.

Figure 1: Gaming Machine Seized by Parishes: April 2011 – March 2012

6.5 Due Diligence

The Commission conducted nine 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	Report Submitted
4	Track Price Plus	Final report being compiled
5	Sizzling Slots Limited	Completed
6	Private Games	Investigation in progress
7	Club Jamaica Jamaica	Additional documents requested from licensee
8	S. Manley Wallace and Sons	Completed
9	ACH Gaming Jamaica	Additional documents requested

In addition to the nine major due diligence investigations, background investigations were conducted on thirty-nine Supreme Ventures 'Just Bet' operators during the fiscal year.

6.6 Reports

One hundred and five reports about illegal betting and gaming operations were received during the period, an 88% percent increase over the 56 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; licensees who have failed to license their machines since 2003 will be investigated.
- Continuing to target the ‘masterminds’ behind the illegal betting and lottery activities. Illegal operators who operate in close proximity to the Commission’s licensees and persons, who continue to operate illegally despite being previously found guilty of breaches of the Betting Gaming & Lotteries Act, will also be targeted.
- Re-visiting at least 100 hundred locations in which operations were carried out to ascertain whether illegal activities have resumed there.
- Ensure that all persons in the Enforcement Division are provided with the requisite training.
- Ensure that adequate and effective controls are implemented in all aspects of the Division’s activities.
- Ensure that policy guidelines are upgraded and implemented for all of the Division’s activities

6.8 Major Enforcement Activities

Table 2 below gives a Summary of Major Activities of the Enforcement Division for the period **April 2011– March 2012** compared to the corresponding period last year.

TABLE 2
COMPARATIVE OF MAJOR ENFORCEMENT ACTIVITIES
FISCAL Y/E 2012 vs 2011

DESCRIPTION	<u>2012</u>	<u>2011</u>	% CHANGE
ILLEGAL ACTIVITIES REPORTED	105	56	88%
OPERATIONS	105	76	38%
ARRESTS	26	22	18%
CONVICTIONS	26	23	13%
CASH SEIZED	222,082	257,714	-14%
COURT FINES	1,070,000	1,165,700	-9%
COURT ATTENDANCE	57	70	-16%
GAMING MACHINES SEIZED	417	342	22%
STORAGE FEE	242,450	31,600	667%

CHAPTER SEVEN

LEGAL DIVISION

The main focus of the Legal Department has been the passage of subsidiary legislation to give full effect to the amendments to the Betting Gaming and Lotteries Act (BGLA).

Drafting instructions with respect to the following pieces of subsidiary legislation have been provided to the Ministry and the CPC:

1. The Betting Gaming and Lotteries (Sports Betting Tax) Regulations
2. The Bookmakers Levy Scheme Order
3. The Bookmakers (Overseas) Levy Scheme Order
4. Fixed Penalty Order
5. Telephone and Text Betting Regulations

The Department has also made inputs in the requisite modifications of application forms and conditions attached to licences and permits amendments.

Work in progress includes drafting instructions for Regulations to establish a prescribed fee structure for licences and permits and internet wagering.

As an ongoing exercise the Department provides legal advice regarding several policy issues to both the Commission and the Ministry and in respect of breaches by licensees. It also reviews and advises on contracts and agreements between the Commission and other parties and acts as custodian for these documents along with others such as bonds and bank guarantees posted by licensees.

Other Projects by Sector

The Department has as usual assisted the various divisions of the Commission with the legal issues which arise out of the day to day operations of the organisation. A total of seventy nine (79) new files were created during the course of the year which can be categorised in accordance with the nature or source of the referral as follows:

LEGAL FILE CATEGORY	TOTAL
Betting	19
Gaming	14
Lotteries	3
Prize Promotions	10
Miscellaneous	33
TOTAL	79

Accommodation and Renovation

The Legal Department has been involved at every stage regarding the purchase and securing of project management services to renovate new premises on Hagley Park Road to accommodate the Commission's operations.

First Instance Tribunal and Appeals

The Legal Department conducted the following tasks during the year:

1. Assisted in the preparation of case files and drafting of charges for First Instance Tribunal
2. Attended hearings of the First Instance Tribunal
3. Assisted in the preparation of case files for Appeals to the Board of Commissioners
4. Attended Appeals to Board of Commissioners
5. Advised the Executive Director and Board of Commissioners on legal issues as and when they arise in relation to appeals

In this connection, the amendments to the BGLA redefined the power of the Tribunal and the Commission to vary, suspend or withdraw licences, permits and approvals, and removed its ability to impose monetary sanctions for breaches.

COMPENSATION OF EXECUTIVE MANAGEMENT 2011-2012

Position	Basic Salary	Allowances
Executive Director	8.12	1.96
Director, Finance	5.45	2.80
Director, Gaming/Lotteries	4.74	1.34
Director, Betting	4.92	1.86
Director, Enforcement	4.92	1.73
Director, ICT	4.02	0.63
Legal Consultant/Company Secretary	4.17	2.51

Notes:

1. *All figures rounded to nearest million.*
 2. *Incentive payment included in basic salary for all.*
 3. *Uniform Garment payment is included in allowances.*
 4. *Accrued gratuity for the period is included in allowances for Dir. Finance and Legal Consultant*
-



Betting, Gaming and Lotteries Commission

**Financial Statements
31 March 2012**

Betting, Gaming and Lotteries Commission

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31 March 2012

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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 statement of financial position as at 31 March 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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



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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Betting, Gaming and Lotteries Commission as at 31 March 2012, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink, appearing to read 'Percival Lloyd Cooper'.

Chartered Accountants
31 July 2012
Kingston, Jamaica

Betting, Gaming and Lotteries Commission

Statement of Comprehensive Income

Year ended 31 March 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 \$'000	2011 \$'000
Income	5	431,166	357,746
Other operating income	6	36,705	32,043
Administration expenses		(316,545)	(308,278)
Other operating expenses	7	<u>(6,871)</u>	<u>(6,319)</u>
Operating Surplus		144,455	75,192
Finance costs		<u>(20,783)</u>	<u>(9,210)</u>
Surplus before Taxation		123,672	65,982
Taxation	11	<u>(3,880)</u>	<u>(629)</u>
Net Surplus, being Total Comprehensive Income for Year		<u><u>119,792</u></u>	<u><u>65,353</u></u>

Betting, Gaming and Lotteries Commission

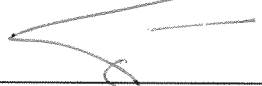
Statement of Financial Position



31 March 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 \$'000	2011 \$'000
Non-Current Assets			
Property, plant and equipment	12	284,891	287,480
Deferred tax asset	13	9,457	8,868
Long term receivables	14	2,989	4,782
Investments	15	182,242	202,871
		<u>479,579</u>	<u>504,001</u>
Current Assets			
Inventories		812	1,364
Receivables	16	36,170	30,257
Taxation recoverable		44,526	40,685
Current portion of long term receivables	14	3,952	4,427
Repurchase agreements	17	210,166	132,233
Cash and bank	18	11,054	10,498
		<u>306,680</u>	<u>219,464</u>
Current Liabilities			
Payables	20	73,512	76,275
Deferred income	21	29,386	23,021
Current portion of long term loan	22	14,792	12,618
		<u>117,690</u>	<u>111,914</u>
Net Current Assets			
		<u>188,990</u>	<u>107,550</u>
		<u>668,569</u>	<u>611,551</u>
Shareholders' Equity			
Reserve for capital development	23	9,246	9,246
Reserve for contingencies	24	182,696	182,696
Accumulated surplus		366,713	296,921
		<u>558,655</u>	<u>488,863</u>
Non-Current Liabilities			
Long term loan	22	107,896	122,688
Retirement benefit liability	26	2,018	-
		<u>109,914</u>	<u>122,688</u>
		<u>668,569</u>	<u>611,551</u>

Approved for issue by the Board of Commissioners on 31 July 2012 and signed on its behalf by:


 Gary Peart Chairman

 
 Terrence Allen Commissioner

Betting, Gaming and Lotteries Commission

Statement of Changes in Equity

Year ended 31 March 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Reserve for Capital Development	Reserve for Contingencies	Accumulated Surplus	Total
		\$'000	\$'000	\$'000	\$'000
Balance at 1 April 2010		9,246	182,696	231,568	423,510
Total comprehensive income		-	-	65,353	65,353
Balance at 31 March 2011		9,246	182,696	296,921	488,863
Total comprehensive income		-	-	119,792	119,792
Distribution	25	-	-	(50,000)	(50,000)
Balance at 31 March 2012		9,246	182,696	366,713	558,655

Betting, Gaming and Lotteries Commission

Statement of Cash Flows

Year ended 31 March 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 \$'000	2011 \$'000
Cash flows from operating activities			
Net surplus		119,792	65,353
Adjustments for:			
Depreciation	12	11,504	11,164
Loss on disposal of property, plant and equipment	7	-	132
Interest income	6	(34,084)	(33,602)
Retirement benefit liability	26	2,018	-
Interest expense		20,783	9,210
Taxation	11	3,880	629
		<u>123,893</u>	<u>52,886</u>
Changes in operating assets and liabilities:			
Inventories		552	489
Receivables		(5,913)	3,004
Payables		(2,763)	23,710
Deferred income		6,365	10,795
Cash provided by operations		<u>122,134</u>	<u>90,884</u>
Tax recoverable		<u>(8,310)</u>	<u>(8,174)</u>
Net cash provided by operating activities		<u>113,824</u>	<u>82,710</u>
Cash flows from investing activities			
Interest received		33,886	36,006
Investments		20,439	64,452
Purchase of property, plant and equipment	12	(8,915)	(256,352)
Long term receivables		2,268	2,311
Net cash provided by/(used in) investing activities		<u>47,678</u>	<u>(153,583)</u>
Cash flows from financing activities			
Interest paid		(20,783)	(9,210)
Proceeds from long term loan		-	140,000
Repayment of long term loan		(12,618)	(4,694)
Distribution	25	<u>(50,000)</u>	<u>-</u>
Net cash (used in)/provided by financing activities		<u>(83,401)</u>	<u>126,096</u>
Net increase in cash and cash equivalents		78,101	55,223
Net cash and cash equivalents at beginning of year		<u>141,819</u>	<u>86,596</u>
NET CASH AND CASH EQUIVALENTS AT END OF YEAR	18	<u><u>219,920</u></u>	<u><u>141,819</u></u>

Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2012

(expressed in Jamaican dollars unless otherwise indicated)

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 at the start of the year were:

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

The Commissioners as at 31 March 2012 are:

Mr. Gary Peart	-	Chairman
Mr. Terrence Allen		
Mr. Clayton Morgan		
Mr. Peter Reid		
Mrs. Monique Harrison-Beckford		

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

Members of the management team at 31 March 2012 are:

Mr. Derek Peart	-	Executive Director
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 2012

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

Certain new standards, interpretations and amendments to existing accounting 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 amendments, which are immediately relevant to its operations.

- **IAS 1 (Amendment), 'Presentation of financial statements'** (effective for annual periods beginning on or after 1 January 2011). This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. This amendment is applied retrospectively. Management has elected to continue analysis of other comprehensive income in the statement of changes in equity.
- **IAS 24 (Revised), 'Related party disclosures'** (effective for annual periods beginning on or after 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. The adoption of this standard did not have a significant impact on the Commission's related party disclosures.
- **IFRS 7, 'Financial Instruments'** (effective for annual periods beginning on or after 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. The adoption of this amendment did not result in significant changes in the presentation of credit risk disclosures.

There was no impact on the opening accumulated surplus from the adoption of the above-mentioned amendments. There are no other standards, interpretations or amendments to existing standards that are effective that would be expected to have a significant impact on the Commission.

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

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

- **IAS 1 (Amendment), 'Presentation of financial statements'** (effective on or after 1 July 2012). The amendment requires entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially recyclable to net surplus. The amendment does not address which items should be presented in OCI, and the option to present items of OCI either before tax or net of tax has been retained. The only anticipated impact on adoption is to the disclosure of items presented in OCI in the statement of comprehensive income. Management has determined that the impact will not be material on the Commission's financial statements.

Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2012

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted (continued)

- **IAS 19 (Amendment), 'Employee benefits'** (effective for annual periods beginning on or after 1 January 2013). This amendment eliminates the corridor approach and recognises all actuarial gains and losses in other comprehensive income (OCI) as they occur. All past service costs will be recognised immediately and interest costs and expected return on plan assets will be replaced with a net interest amount that is calculated by applying the discount rate to the net defined benefit asset or liability. Management is assessing the impact of adoption on the Commission.
- **IFRS 9, 'Financial instruments'** (effective on or after 1 January 2015). The standard introduces new requirements for the classification, measurement and recognition of financial assets and financial liabilities, in order to ensure that relevant and useful information is presented to users of financial statements. It replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The determination of classification will be made at initial recognition, and depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Management is assessing the timing of its adoption by the Commission, and the potential impact of adoption.
- **IFRS 13, 'Fair value measurement'** (effective for annual periods beginning on or after 1 January 2013). IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards, for both financial instruments and non-financial instruments. IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures; it does not say when to measure fair value or require additional fair value measurements. In general, the disclosure requirements of IFRS 13 are more extensive than those required in current standards. The Commission anticipates that application will impact amounts reported in the financial statements, as well result in extended disclosures.

Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2012

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(b) Income recognition

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

(i) Betting 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 an interest receivable balance is impaired, the Commission reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions 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.

(d) Trade receivables

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

Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(e) Property, plant and equipment

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

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

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

Freehold buildings	2½%
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(f)).

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

(f) Impairment of non-financial assets

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

(g) Inventories

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

Betting, Gaming and Lotteries Commission

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2. Significant Accounting Policies (Continued)

(h) Financial instruments

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

Financial assets

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

Loans and receivables

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

Held-to-maturity investments

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

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

Financial liabilities

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

(i) Securities purchased under agreements to resell

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

(j) Trade payables

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

(k) Cash and cash equivalents

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

Betting, Gaming and Lotteries Commission

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2. Significant Accounting Policies (Continued)

(I) 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 statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the statement of financial position 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.

Termination benefits

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

Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

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2. Significant Accounting Policies (Continued)

(m) Taxation

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

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

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

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

Deferred income tax is charged or credited 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.

3. Financial Risk Management

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

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

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

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

Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2012

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3. Financial Risk Management (Continued)

(a) Credit risk

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

Accounts and long-term receivables

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

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

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.

Cash and cash equivalents

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

Worst case scenario of credit risk exposure

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

	2012 \$'000	2011 \$'000
Long term receivables	6,941	9,209
Investments	182,242	202,871
Trade and other receivables	32,796	28,639
Repurchase agreements	210,166	132,233
Cash and bank	11,054	10,498
	<u>443,199</u>	<u>383,450</u>

There has been no change over the prior year in the manner in which the Commission manages and measures credit risk.

Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

31 March 2012

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

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

Fees and contributions receivables that are less than 31 days past due are not considered impaired. The Fees and contributions receivables that are over 31 days past due but not considered impaired total \$2,898,000 (2011 – nil). These relate to customers for whom there is no recent history of default.

Ageing analysis of trade receivables that are past due and considered impaired

Fees and contributions receivables of \$2,000,000 (2011 – \$2,000,000) were considered impaired and were fully provided for. The individually impaired receivables relate to a customer who is in unexpected difficult economic situations. The ageing of these receivables is as follows.

	2012 \$'000	2011 \$'000
Over 90 days	<u>2,000</u>	<u>2,000</u>

Movement analysis of provision for impairment:

- Fees and contributions receivable
The balance on the provision account at year end is \$2,000,000 (2011 - \$2,000,000) (Note 16). During the year, there was no additional provision for impairment (2011 – nil) for fees and contributions receivables. There were no direct write offs nor reversals of unused amounts in both years.
- Long term receivables
The balance on the provision account at year end is \$20,000,000 (2011 - nil) (Note 14). During the year, a provision for impairment of \$20,000,000 (2011 – nil) was created. There were no direct write offs nor reversals of unused amounts in both years.

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

(b) Liquidity risk

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

Liquidity risk management process

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

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

Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

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3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Undiscounted cash flows of financial liabilities

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

	Within 1 Year \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Total \$'000
2012				
Loans	33,368	133,473	19,465	186,306
Payables	60,855	12,657	-	73,512
Total financial liabilities	94,223	146,130	19,465	259,818
2011				
Loans	33,368	133,473	52,833	219,674
Payables	52,134	24,141	-	76,275
Total financial liabilities	85,502	157,614	52,833	295,949

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

(c) Market risk

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

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

Currency risk

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

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

	2012 US\$'000	2011 US\$'000
Assets		
Investments	373	373
Trade and other receivables	-	10
Cash at bank	14	2
	387	385

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3. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate risk

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

The Commission earns interest on its securities purchased under resale agreements as disclosed in Note 17. As these deposits have a short term to maturity and are constantly reinvested at current market rates, they are not significantly exposed to interest rate risk. The Commission also earns interest on its long term receivables (Note 14), investment securities (Note 15) and certain bank balances (Note 18).

The Commission incurs interest on its borrowings disclosed in Note 22. These borrowings are at fixed rates, and expose the Commission to fair value interest rate risk. Interest rate fluctuations are not expected to have a material effect on the net results or shareholders' equity.

The following table indicates the sensitivity to a reasonable possible increase in interest rates of 1% and 0.5% for Jamaican dollar and United States dollars respectively, (2011 – 1% and 0.5%) and a reasonable possible decrease of 1% and 0.5% for Jamaican dollar and United States dollar respectively, (2011 – 1% and 0.5%), with all other variables held constant, on the surplus before taxation.

	Increase in interest rates		Decrease in interest rates	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Effect on surplus before taxation	481	584	481	584

(d) Capital management

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

(e) Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. There are no financial instruments that, subsequent to initial recognition, are measured at fair value. The following methods and assumptions have been used in determining fair values disclosed for instruments not re-measured at fair value after initial recognition.

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

The fair values of long term receivables and investment securities have been estimated at \$6,998,000 (2011 - \$9,351,000) and \$191,378,000 (2011 - \$217,307,000) respectively. The values were derived by discounting the contractual cash flows using the market rate of interest. The carrying values of these assets are \$6,941,000 (2011 - \$9,209,000) and \$180,041,000 (2011 - \$200,480,000) respectively.

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

Betting, Gaming and Lotteries Commission

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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

	2012 \$'000	2011 \$'000
Lotteries	286,540	236,548
Gaming machines	94,963	75,126
Bookmakers	36,188	34,011
Racing promoter	6,998	7,683
Bingo	4,822	4,378
Prize promotions	1,655	-
	<u>431,166</u>	<u>357,746</u>

6. Other Operating Income

	2012 \$'000	2011 \$'000
Interest	34,084	33,602
Foreign exchange gain/(loss)	596	(2,346)
Storage and transport fees	1,213	545
Other	812	242
	<u>36,705</u>	<u>32,043</u>

7. Other Operating Expenses

	2012 \$'000	2011 \$'000
Loss on disposal of property, plant and equipment	-	132
Grants (Note 8)	6,871	6,187
	<u>6,871</u>	<u>6,319</u>

8. Grants

	2012 \$'000	2011 \$'000
Rise Life Management Services	<u>6,871</u>	<u>6,187</u>

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.

Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

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9. Expenses by Nature

Total administration and other operating expenses

	2012 \$'000	2011 \$'000
Advertising and public relations	456	743
Audit fees-		
Current year	994	946
Prior year	-	(20)
Bad debts (Note 14)	20,000	-
Depreciation	11,504	11,164
Donations and subscriptions	1,558	1,460
Gaming machines labels	555	489
Grants	6,871	6,187
Insurance	3,700	2,960
Irrecoverable General Consumption Tax	4,881	4,243
Legal and professional	5,683	9,820
Loss on disposal of property, plant and equipment	-	132
Printing and stationery	2,357	1,882
Rental - office building and furniture	3,703	3,230
Repairs and maintenance	1,636	1,943
Security	3,608	2,093
Special investigations	1,971	1,945
Staff costs (Note 10)	242,018	253,963
Utilities	9,031	7,715
Other	2,890	3,702
	<u>323,416</u>	<u>314,597</u>

10. Staff Costs

	2012 \$'000	2011 \$'000
Salaries and wages	137,620	144,785
Payroll taxes – employer's contribution	15,473	16,087
Pension	8,182	5,819
Retroactive salaries	-	10,548
Other employee related costs	80,743	76,724
	<u>242,018</u>	<u>253,963</u>

Betting, Gaming and Lotteries Commission

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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 $\frac{1}{3}$ %.

	2012 \$'000	2011 \$'000
Current income tax	4,800	3,521
Prior year over-accrual	(331)	(1,448)
Deferred taxation (Note 13)	(589)	(1,444)
	<u>3,880</u>	<u>629</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:

	2012 \$'000	2011 \$'000
Surplus before taxation	<u>123,672</u>	<u>65,982</u>
Tax calculated at 33 $\frac{1}{3}$ %	41,224	21,994
Adjusted for the effects of:		
Income not taxable	(143,442)	(119,331)
Expenses not deductible for tax	102,925	97,716
Adjustment for prior year over-accrual	(331)	(1,448)
Other charges and allowances	3,504	1,698
Tax charge	<u>3,880</u>	<u>629</u>

Betting, Gaming and Lotteries Commission

Notes to the Financial Statements

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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 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)
31 March 2011	86,192	20,092	11,646	50,341	2,600	1,404	164,880	337,155
Additions	12	-	856	1,102	5,832	-	1,113	8,915
At 31 March 2012	86,204	20,092	12,502	51,443	8,432	1,404	165,993	346,070
Depreciation -								
At 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)
31 March 2011	-	5,531	8,839	31,301	2,600	1,404	-	49,675
Charge for the year	-	502	1,074	9,831	97	-	-	11,504
At 31 March 2012	-	6,033	9,913	41,132	2,697	1,404	-	61,179
Net Book Value -								
At 31 March 2012	86,204	14,059	2,589	10,311	5,735	-	165,993	284,891
At 31 March 2011	86,192	14,561	2,807	19,040	-	-	164,880	287,480

In May 1990 the JSPCA was given permission by the Commission to use the premises on a temporary basis. Subsequently, the Commission thereafter made several requests that the JSPCA vacate the premises, culminating in an agreement that they would vacate the premises by 1999. However, the JSPCA has not honoured this agreement and remains in occupation despite several subsequent notices to vacate issued by the Commission. The Commission is still seeking to recover possession of the premises.

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

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13. Deferred Taxation

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

	2012 \$'000	2011 \$'000
Net asset at beginning of year	8,868	7,424
Statement of comprehensive income (Note 11)	589	1,444
Net asset at end of year	<u>9,457</u>	<u>8,868</u>

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

	2012 \$'000	2011 \$'000
Deferred income tax assets -		
Retirement benefit liability	672	-
Unrealised foreign exchange loss	-	698
Vacation leave accrual	<u>10,211</u>	<u>9,805</u>
	<u>10,883</u>	<u>10,503</u>
Deferred income tax liabilities -		
Unrealised foreign exchange gain	196	-
Interest receivable	1,167	1,101
Property, plant and equipment	<u>63</u>	<u>534</u>
	<u>1,426</u>	<u>1,635</u>
Net deferred tax asset	<u>9,457</u>	<u>8,868</u>

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

	2012 \$'000	2011 \$'000
Vacation leave accrual	406	(57)
Unrealised foreign exchange loss/gain	(894)	698
Property, plant and equipment	471	2
Interest receivable	(66)	801
Retirement benefit liability	<u>672</u>	<u>-</u>
	<u>589</u>	<u>1,444</u>

Betting, Gaming and Lotteries Commission

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13. Deferred Taxation (Continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The offset amounts shown in the statement of financial position include the following:

	2012 \$'000	2011 \$'000
Deferred income tax assets to be recovered -		
After more than 12 months	672	-
Deferred income tax liabilities to be extinguished -		
After more than 12 months	63	534

14. Long-Term Receivables

	2012 \$'000	2011 \$'000
Advance to Caymanas Track Limited (a)	20,000	-
Less: Provision for impairment	(20,000)	-
	-	-
Loans to employees (b)	6,941	8,888
Loan to Jamaica Racing Commission (c)	-	321
	6,941	9,209
Less: Current portion	(3,952)	(4,427)
	2,989	4,782

- (a) During the year, the Commission advanced \$20 million to Caymanas Track Limited (CTL), being the first tranche of a \$40 million facility, as directed by the Ministry of Finance and the Public Service (MOF&PS). The terms for repayment have not yet been finalised. Management has provided for the entire balance.
- (b) Thirty-seven percent (2011 - 35%) 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.
- (c) This represented a \$20 million loan to the Jamaica Racing Commission (JRC) which was granted in 2003 for a six-year period, bearing interest at 12½% per annum on the reducing balance method, supported by a promissory note from JRC. The loan was fully repaid.

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15. Investments

	2012 \$'000	2011 \$'000
Held-to-maturity:		
Government of Jamaica securities - Debentures	180,041	200,480
Interest receivable	2,201	2,391
	<u>182,242</u>	<u>202,871</u>

The fair value of the Government of Jamaica securities was \$191,378,000 (2011 - \$217,307,000).

16. Receivables

	2012 \$'000	2011 \$'000
Fees and contributions receivable	23,673	19,032
Staff loans	8,884	8,219
Prepayments and other deposits	3,374	2,401
Other	239	605
	<u>36,170</u>	<u>30,257</u>

Fees and contributions receivable is stated after provision for bad debts of \$2,000,000 (2011 – \$2,000,000).

Staff loans include \$3,918,000 (2011 - \$4,677,000) with related parties (Note 19).

17. Securities Purchased under Resale Agreements

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

	Within 3 Months	Carrying Value	Carrying Value
		2012	2011
	\$'000	\$'000	\$'000
Securities purchased under resale agreements (Note 18)	208,866	208,866	131,321
Interest receivable	1,300	1,300	912
	<u>210,166</u>	<u>210,166</u>	<u>132,233</u>

The weighted average interest rate on the investment securities is 6% (2011 – 7%). These securities are denominated in Jamaican dollars.

Betting, Gaming and Lotteries Commission

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17. Securities Purchased under Resale Agreements (Continued)

Securities purchased under repurchase agreements were negotiated with the following:

	2012 \$'000	2011 \$'000
Scotia Investments Jamaica Limited	31,000	-
Capital & Credit Securities Limited	103	22,321
Pan Caribbean Financial Services Limited	40,082	22,000
Jamaica Money Market Brokers Limited	70,951	10,000
Mayberry Investments Limited	66,730	77,000
	<u>208,866</u>	<u>131,321</u>

18. Cash and Cash Equivalents

	2012 \$'000	2011 \$'000
Securities purchased under resale agreements (Note 17)	208,866	131,321
Cash at bank and in hand	<u>11,054</u>	<u>10,498</u>
	<u>219,920</u>	<u>141,819</u>

	2012 \$'000	2011 \$'000
Cash at bank and in hand comprise:		
Bank of Nova Scotia (Jamaica) Limited – operating account	2,772	8,779
National Commercial Bank Jamaica Limited -		
Foreign currency account	1,222	167
Savings account	813	807
FirstCaribbean International Bank Limited – operating account	5,694	69
Cash in hand	542	611
Special imprest	-	54
Petty cash	<u>11</u>	<u>11</u>
	<u>11,054</u>	<u>10,498</u>

Cash and bank include a foreign currency savings account which attract interest at 0.45% per annum (2011 – 0.60%), a local currency savings account which attract interest at 2.0% per annum (2011 – 2.25%) and a local currency operating account attracting interest at 1.5% per annum (2011 – 1.0%).

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19. Related Party Transactions and Balances

(a) Loans to related parties

Loans to other government agencies –

	2012 \$'000	2011 \$'000
Jamaica Racing Commission (Note 14)		
Balance outstanding	-	321
Interest earned during the year	-	74
	<u>-</u>	<u>395</u>
Caymanas Track Limited (Note 14)		
Balance outstanding	20,000	-
Provided for during the year	(20,000)	-
	<u>-</u>	<u>-</u>

Loans to key management personnel of the Commission –

	2012 \$'000	2011 \$'000
At start of year	4,677	2,516
Loans advanced during year	7,873	8,697
Loan repayments received	(8,632)	(6,536)
End of year	<u>3,918</u>	<u>4,677</u>

No provision has been required in 2012 and 2011 for the loans made to key management personnel of the Commission.

(b) Other balances with related parties

	2012 \$'000	2011 \$'000
Payables (Note 20)	<u>(11,064)</u>	<u>(11,390)</u>

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(expressed in Jamaican dollars unless otherwise indicated)

19. Related Party Transactions and Balances (Continued)

(c) Key management compensation

	2012 \$'000	2011 \$'000
Salaries and other short-term employee benefits	36,402	39,976
Allowances	10,358	11,106
Gratuity accrued	2,496	2,103
Payroll taxes – employer's contributions	3,897	4,116
Pension	1,301	1,289
	<u>54,454</u>	<u>58,590</u>
Commissioners' emoluments		
Fees	1,066	511
Travel allowance	40	26
Management remuneration (included above)	<u>-</u>	<u>-</u>

20. Payables

	2012 \$'000	2011 \$'000
Accruals	34,130	39,078
Accrued vacation leave	30,633	29,414
Other	<u>8,749</u>	<u>7,783</u>
	<u>73,512</u>	<u>76,275</u>

Accruals at 31 March 2011 and 31 March 2012 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 \$11,064,000 (2011 - \$11,390,000) with related parties (Note 19).

21. Deferred Income

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

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22. Long Term Loan

	2012 \$'000	2011 \$'000
Long term loan	122,688	135,306
Less: Current portion	<u>(14,792)</u>	<u>(12,618)</u>
	<u>107,896</u>	<u>122,688</u>

During the year ended 31 March 2011, the Commission, with the approval of the Ministry of Finance and the Public Service (MOF&PS), acquired a mortgage from Shirlhome Chemical Corporation Limited in the sum of \$140 million for 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

Pursuant to directives from the Honourable Minister of Finance and the Public Service (MOF&PS), the Commission was required to distribute a total of \$50 million to the Consolidated Fund. The Commission is currently pursuing obtaining a deed of indemnity in respect of the disbursement.

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26. Retirement Benefit Liability

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 2012.

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 employers contribute at 18% of pay per annum in an effort to clear the deficit.

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

	2012 \$'000	2011 \$'000
Present value of funded obligations	(285,554)	(276,050)
Fair value of plan assets	285,083	247,831
	(471)	(28,219)
Unrecognised actuarial (gain)/loss	(1,547)	34,875
Unrecognised asset due to section 58	-	(6,656)
Liability recognised in statement of financial position	(2,018)	-

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

	2012 \$'000	2011 \$'000
At beginning of the year	-	-
Amounts recognised in the statement of comprehensive income	(8,182)	(5,819)
Contributions paid	6,164	5,819
At end of year	(2,018)	-

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31 March 2012

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26. Retirement Benefit Liability (Continued)

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

	2012 \$'000	2011 \$'000
Current service cost	9,973	14,174
Interest cost	25,914	31,455
Expected return on plan assets	(21,454)	(18,969)
Recognised actuarial loss	405	6,298
Change in unrecognised asset	(6,656)	(27,139)
Included in staff costs (Note 10)	<u>8,182</u>	<u>5,819</u>

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

	2012 \$'000	2011 \$'000
Present value of obligation as at 1 April	(276,050)	(315,788)
Service cost	(9,973)	(14,174)
Interest cost	(25,914)	(31,455)
Contributions paid	(8,453)	(8,076)
Benefits paid	6,684	2,534
Actuarial gain	28,152	90,909
Present value of funded obligation as at 31 March	<u>(285,554)</u>	<u>(276,050)</u>

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

	2012 \$'000	2011 \$'000
Fair value of plan assets at 1 April	247,831	204,646
Contributions paid - total	14,617	13,895
Expected return on plan assets	21,454	18,969
Benefits paid	(6,684)	(2,534)
Actuarial gain	7,865	12,855
Fair value of plan assets at 31 March	<u>285,083</u>	<u>247,831</u>

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26. Retirement Benefit Liability (Continued)

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

	2012		2011	
	\$'000	%	\$'000	%
Equity	100,391	35	81,299	33
Mortgage and real estate	32,862	11	31,224	13
Fixed income	110,902	39	99,811	40
Money market	4,868	2	4,809	2
Foreign currency investments	27,643	10	24,530	10
Other	8,417	3	6,158	2
	<u>285,083</u>	<u>100</u>	<u>247,831</u>	<u>100</u>

The principal actuarial assumptions used were as follows:

	2012	2011
	%	%
Discount rate	10.0	10.5
Expected return on plan assets	7.0	8.5
Future salary increases	6.0	7.5
Future pension increases	3.0	4.0
Inflation	<u>5.0</u>	<u>6.5</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 date of the statement of financial position. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

Historical information:

	2012	2011	2010	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of the defined benefit obligations	(285,554)	(276,050)	(315,788)	(137,862)	(154,154)
Fair value of plan assets	<u>285,083</u>	<u>247,831</u>	<u>204,646</u>	<u>150,989</u>	<u>143,680</u>
(Deficit)/Surplus	<u>(471)</u>	<u>(28,219)</u>	<u>(111,142)</u>	<u>13,127</u>	<u>(10,474)</u>
Experience adjustments arising on plan liabilities	<u>(28,152)</u>	<u>(90,909)</u>	<u>145,417</u>	<u>(49,036)</u>	<u>45,411</u>
Experience adjustments arising on plan assets	<u>(7,865)</u>	<u>(12,855)</u>	<u>(17,202)</u>	<u>24,860</u>	<u>(2,037)</u>

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26. Retirement Benefit Liability (Continued)

The estimated pension contributions expected to be paid into the plan by the Commission for the next financial year is \$15,174,000 (2011 - \$14,164,000).

The actual return on plan assets was \$33,515,000 (2011 – \$29,398,000).

The average expected remaining working life of the employees is 17 years (2011 – 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.

BETTING, GAMING AND LOTTERIES COMMISSION

Building 2, 17 Ruthven Road, Kingston 10, Jamaica, W.I.

Telephone: (876) 960-1549; 960-7279-80; 960-7252

Fax: (876) 754-3317

Email: bglc.gov.jm

Website: www.bglc.gov.jm