

# SUPREME VENTURES Limited



## **Unaudited Consolidated Financial Statements 31<sup>st</sup> July 2007**

- Gaming • Entertainment
- Financial Services





## **Commentary on the Nine-Month Unaudited Results**

The Directors of Supreme Ventures Limited are pleased to release the consolidated unaudited financial results at the third quarter (nine-month period) ended 31<sup>st</sup> July 2007 for the company and its subsidiaries.

The company's revenue for the nine-month period under review improved by 19%, with all segments showing good performance resulting in growth to \$14.201B when compared to \$12.047B in revenue for the corresponding period last year. The largest contributory segment to revenue was the online lottery and Instant win games at \$12.7B when compared to \$10.9B for the corresponding period last year, a 16% growth for the segment. The VLT (slots) revenue showed 52.5% growth, a significant improvement to \$602M for the period under review, compared to \$394M for the corresponding period last year. Other significant contributors to the commendable performance in revenue for the period under review were Hospitality at \$117M, Phone Pins & Others at \$690.3M and Financial Services at \$92.8M.

The company's third quarter profit before tax of \$7.129M was heavily impacted by the payments for prizes relating to the Cash Pot game. This was due to the game's unprecedented high liabilities for the quarter. Whilst the game design is forecasted at 72% prize liability and the game continues to show sustained growth in revenue, the third quarter saw the highest average liability in the history of the game, that is, 83%. This resulted in additional prize payments and related fees of over \$250M. The performance of the Cash Pot game with respect to 'volatile' swings in prize liabilities on a quarter by quarter basis underscores the challenges that the management experiences in accurately forecasting the quarterly profit. The management has no direct control over daily game liability but is cognizant however that over the years, the average prize liability has usually ended within the rules of game design.

Net Profit after tax for the period under review was \$233.7M compared to \$129.1M for the corresponding nine-month period last year, a 71.2% increase in profitability. The company's profit position benefitted from the reduction in fees to service contractors at \$955.7M, compared to \$1.04B in fees paid for the corresponding period last year.

The company paid out \$9.22B in lottery prizes to players, an increase of 22.9% over last year, when prizes paid amounted to \$7.5B. Our agents also saw significant increases in commissions earned. Agent commissions paid for this review period was \$626.51M, compared to \$540.1M for the same period last year.

## Commentary on the Nine-Month Unaudited Results (continued)

Contributions to Lottery Tax, BGLC fees and the CHASE Fund amounted to \$1.32B, compared to \$1.27 Billion for the corresponding period last year.

The company's asset position improved significantly over the review period, with total assets being \$3.7B at the end of July 2007, a 35.5% increase compared to the nine-month period last year of \$2.73B. Total assets at financial year end (October 2006) was \$2.83B.

During the period under review, Mr. Mark Myers was appointed to the Board of Directors effective 1<sup>st</sup> July, replacing Mr. Paul Mouttet who resigned.


Subsequent to the end of the review period (July 2007) the management continues to assess the revenue position resulting from the effects of Hurricane Dean. Some Agents experienced damage to property and displacement from their locations, as well as the time it will take for restoration of power supply to some geographic regions across the country. The effects with respect to closure of lottery terminal operations leading up to and immediately after the General Elections in September are also being assessed. We are also pleased that final approval has been received from the Betting, Gaming and Lotteries Commission (BGLC) to launch the online Bingo game. The game launch is slated for October 2007.

We wish to take this opportunity to thank all our stakeholders. To our shareholders, agents, customers and staff, we say thanks for your continued support to our various business segments. Our success would not be possible without your input.



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Paul Hoo  
Chairman



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Brian George  
President & C.E.O.

11th September 2007

**SUPREME VENTURES LIMITED AND ITS SUBSIDIARIES****Consolidated Balance Sheet****As at 31<sup>st</sup> July 2007**

(Expressed in thousands of Jamaican dollars)

		Unaudited Nine Months ended July 2007	Audited year ended October 2006	Unaudited Nine months ended July 2006
<b>ASSETS</b>	Notes			
<b>Non-current assets</b>				
Property, plant and equipment		1,477,125	1,232,921	1,257,897
Goodwill and other intangibles		841,625	614,727	666,431
Long-term receivables		-	2,036	348,511
Investment in Joint Venture		34,221	34,221	-
Available-for-sale-investments		365,461	365,461	16,939
Deferred tax assets		<u>79,082</u>	<u>28,926</u>	<u>24,664</u>
		<u>2,797,514</u>	<u>2,278,292</u>	<u>2,314,442</u>
<b>Current assets</b>				
Income tax recoverable		-	12,288	-
Inventories		82,238	29,304	47,782
Accounts receivable & prepayments		204,758	160,954	178,255
Investment in cash securities		-		340
Cash and bank deposits	(4)	<u>743,025</u>	<u>353,763</u>	<u>189,284</u>
		<u>1,030,021</u>	<u>556,309</u>	<u>415,661</u>
<b>Total assets</b>		<u>3,827,535</u>	<u>2,834,601</u>	<u>2,730,103</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Stated capital		1,967,183	1,967,183	1,967,183
Profit and loss account – deficit		<u>261,716</u>	<u>28,022</u>	<u>( 8,242)</u>
		<u>2,228,899</u>	<u>1,995,205</u>	<u>1,958,941</u>
<b>Non-current liabilities</b>				
Long-term liabilities		<u>457,038</u>	<u>93,222</u>	<u>95,397</u>
		<u>457,038</u>	<u>93,222</u>	<u>95,397</u>
<b>Current liabilities</b>				
Accounts payable and accruals	(4)	879,184	624,088	586,643
Prizes payable	(4)	124,121	75,359	61,609
Income tax payable		138,293	46,727	22,876
Bank overdraft (unsecured)		<u>-</u>	<u>-</u>	<u>4,637</u>
		<u>1,141,598</u>	<u>746,174</u>	<u>675,765</u>
<b>Total equity and liabilities</b>		<u>3,827,535</u>	<u>2,834,601</u>	<u>2,730,103</u>

Approved and authorized for issue by the Board of Directors on September 11, 2007 and are signed on its behalf by:


.....  
Paul Hoo – Chairman

.....  
Brian George – President and CEO

**SUPREME VENTURES LIMITED AND ITS SUBSIDIARIES**  
**Consolidated Profit and Loss Account – Unaudited**  
**For the period ending 31<sup>st</sup> July 2007**  
(Expressed in thousands of Jamaican dollars)

	<u>Notes</u>	<b>Unaudited</b> <b>9 Months to</b> <b>July – 07</b> \$'000	<b>Restated</b> <b>Unaudited</b> <b>9 Months to</b> <b>July – 06</b> \$'000	<b>Unaudited</b> <b>3 Months to</b> <b>July – 07</b> \$'000	<b>Restated</b> <b>Unaudited</b> <b>3 Months to</b> <b>July – 06</b> \$'000
Revenue		14,200,731	12,046,955	5,064,165	4,087,562
Direct expenses		<u>12,797,471</u>	<u>10,930,977</u>	<u>4,679,673</u>	<u>3,744,545</u>
Gross profit		1,403,260	1,115,978	384,492	343,017
Expenses		<u>(1,011,493)</u>	<u>( 913,785)</u>	<u>( 374,601)</u>	<u>( 314,017)</u>
Profit (loss) from operations		391,767	202,193	9,891	29,000
Interest income		20,497	10,610	11,147	2,401
Finance cost		( 14,352)	( 13,008)	( 7,665)	( 3,848)
Asset Impairment		<u>( 26,462)</u>	-	<u>( 6,154)</u>	-
<b>PROFIT (LOSS) BEFORE TAXATION</b>		371,450	199,795	7,219	27,553
Taxation		<u>( 137,756)</u>	<u>( 70,712)</u>	<u>( 2,478)</u>	<u>( 11,832)</u>
<b>NET PROFIT (LOSS)</b>		<u>233,694</u>	<u>129,083</u>	<u>4,740</u>	<u>15,721</u>
<b>EARNINGS PER STOCK</b>		<u>0.089</u>	<u>0.049</u>	<u>0.002</u>	<u>0.006</u>

The Notes on Statement VIII form an integral part of the Financial Statements.

**SUPREME VENTURES LIMITED AND ITS SUBSIDIARIES**  
**Consolidated Statement of Changes in Equity**  
**As at 31<sup>st</sup> July 2007**

(Expressed in thousands of Jamaican dollars)

	Stated Capital	Profit & Loss Account	Total
<b>Nine months ended 31<sup>st</sup> July 2007</b>			
Balance, 1 <sup>st</sup> November 2006 (as previously stated)	1,967,183	28,022	1,995,205
Net profit for period	<u>-</u>	<u>233,694</u>	<u>233,694</u>
Balance as at 31 <sup>st</sup> July 2007	<u>1,967,183</u>	<u>261,716</u>	<u>2,228,899</u>
<b>Nine months ended 31<sup>st</sup> July 2006</b>			
Balance, 1 <sup>st</sup> November 2004 (restated)	1,000	(316,850)	(315,850)
Effects of changes in accounting policy	<u>-</u>	<u>(10,667)</u>	<u>( 10,667)</u>
Balance, 1 <sup>st</sup> November 2004 (restated)	1,000	(327,517)	(326,517)
Advance on purchase of shares	1,849,846	-	1,849,846
Net profit for the year	<u>-</u>	<u>190,192</u>	<u>190,192</u>
Balance at 1 <sup>st</sup> November 2005 (restated)	1,850,846	(137,325)	1,713,521
Contribution arising from the acquisition of subsidy	196,674	-	196,674
Initial public offering and private placement expense	(80,337)	-	(80,337)
Net Profit for the period	<u>-</u>	<u>129,083</u>	<u>129,083</u>
Balance at 31 <sup>st</sup> July 2006	<u>1,967,183</u>	<u>( 8,242)</u>	<u>1,958,941</u>

**SUPREME VENTURES LIMITED AND ITS SUBSIDIARIES****Consolidated Statement of Cash Flows****As at 31<sup>st</sup> July 2007**

(Expressed in thousands of Jamaican dollars)

	<b>Unaudited Nine months ended July 2007</b>	<b>Audited Year ended October 2006</b>	<b>Unaudited Nine months ended July 2006</b>
<b>SOURCES/ (USES) OF CASH</b>			
<b>Operating activities</b>			
Profit from operations	391,767	262,946	202,193
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	<u>30,732</u>	<u>20,580</u>	<u>(88,541)</u>
Cash provided by operating activities	422,499	283,526	113,652
Cash provided by/( used in) investing activities	(493,553)	(167,437)	(377,524)
Cash provided by/(used in) financing activities	<u>460,316</u>	<u>(155,716)</u>	<u>55,129</u>
<b>NET (DECREASE) / INCREASE IN CASH AND BANK BALANCES</b>	389,262	(39,627)	(208,743)
<b>OPENING CASH AND BANK BALANCES</b>	<u>353,763</u>	<u>393,390</u>	<u>393,390</u>
<b>CLOSING CASH AND BANK BALANCES</b>	<u>743,025</u>	<u>353,763</u>	<u>187,647</u>
Comprising:			
Cash and bank deposits	743,025	353,763	189,284
Bank overdraft	<u>-</u>	<u>-</u>	<u>(4,637)</u>
	<u>743,025</u>	<u>353,763</u>	<u>184,647</u>

**SUPREME VENTURES LIMITED AND ITS SUBSIDIARIES**  
**Financial Information by Business Segment- Unaudited**  
(Expressed in thousands of Jamaican dollars)

**PERIOD ENDED July 30, 2007**

	<b>Lottery &amp; Gaming</b>	<b>Hospitality</b>	<b>Financial Services</b>	<b>Pin codes &amp; Others</b>	<b>Consolidation Adjustments</b>	<b>Group Total</b>
<b>Revenue</b>						
External sales	13,468,513	117,491	92,778	690,288	(168,341)	14,200,729
Segment results	337,603	(30,989)	20,056	65,097		391,767
Finance income-net						6,145
Asset Impairment						(26,462)
Profit before taxation						371,450
Taxation						(137,756)
Profit for the period						<u>233,694</u>

**As at July 31, 2007**

Segment assets	4,966,565	703,975	135,804		(1,978,809)	3,827,535
Segment liabilities	2,238,058	110,861	92,312		(842,595)	1,598,636

**PERIOD ENDED JULY 31, 2006**

	<b>Lottery &amp; Gaming</b>	<b>Hospitality</b>	<b>Financial Services</b>	<b>Pin Codes &amp; Others</b>	<b>Consolidation Adjustments</b>	<b>Group Total</b>
<b>Revenue</b>						
External sales	11,323,209	95,888	65,955	606,277	(44,374)	12,046,955
Segment results	155,958	(20,002)	4,577	61,660		202,193
Finance income-net						(2,398)
Profit before taxation						199,795
Taxation						(70,712)
Profit for the period						<u>129,083</u>

**As at July 31, 2006**

Segment assets	3,269,429	272,264	112,625		(924,215)	2,730,103
Segment liabilities	1,017,357	137,518	91,202		(474,916)	771,161



**SUPREME VENTURES LIMITED**  
**AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED 31<sup>st</sup> JULY 2007**

**1) Identification**

The Group comprises the company and its wholly owned subsidiaries.

The wholly owned subsidiaries and their subsidiaries that are consolidated and their principal activities are as follows:

<u>Name of Company</u>	<u>Principal Activity</u> %	Percentage <u>Ownership</u>	Included in Consolidation	
			<u>30-Apr-07</u>	<u>30-Apr-06</u>
Prime Sports Jamaica Limited	Gaming operations	100	<i>Yes</i>	<i>Yes</i>
Supreme Ventures Lotteries Limited	Lottery operations	100	<i>Yes</i>	<i>N/A</i>
Chillout Ventures Limited	Gaming operations	100	<i>No</i>	<i>No</i>
<b>Jamaica Lottery Company Limited (JLC) and its wholly owned subsidiaries</b>		100	<i>Yes</i>	<i>Yes</i>
Supreme Ventures Financial Services Limited	Foreign exchange dealer and remittance	100	<i>Yes</i>	<i>Yes</i>
Jamaica Lottery Holdings Limited (JLH)		100	<i>No</i>	<i>Yes</i>
Coral Cliff Entertainment Limited	Hospitality services	100	<i>Yes</i>	<i>Yes</i>
Village Square Entertainment Limited	Gaming operations	100	<i>Yes</i>	<i>Yes</i>

**2) Statement of Compliance and Basis of Preparation**

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

The interim financial statements have been prepared using the same accounting policies and methods of computation as compared with the audited Financial Statements for year ended October 31, 2006,

These financial statements are presented in Jamaican dollars.

**3) Significant Accounting Policies**

**(a) Goodwill**

Goodwill is recorded at cost and represents the excess of the value of consideration paid over the fair value of the net assets acquired. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

**(b) Deferred taxation**

Deferred income tax is provided in full, using the liability method, on all 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 tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

**SUPREME VENTURES LIMITED  
AND ITS SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
NINE MONTHS ENDED 31<sup>st</sup> JULY 2007**

**(c) Lotto Prize Liability**

Lotto jackpot prize liabilities are recognized on the accrual basis.

**(d) Segment reporting**

The activities of the Group are organized into the following four primary segments:

- 1) Lottery and Gaming - this incorporates lottery games, operated through the agent network and VLT games offered at gaming lounges.
- 2) Hospitality - this incorporates room, restaurant and bar and related guest services.
- 3) Financial Services - this incorporates foreign exchange dealer services and commissions from Money Gram services.
- 4) PIN codes and Others - this incorporates sale of PIN codes.

**(e) Comparative information**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period.

**4) Conditions attached to Licence granted by the Betting Gaming and Lotteries Commission (BGLC)**

Based on a approval granted on December 29, 2006 by the BGLC a wholly-owned subsidiary company of Supreme Ventures Limited (SVL) was established whose operations consist entirely of conducting the licensed games. The new company, Supreme Ventures Lotteries Limited (SVLotteries) will operate Cash Pot, Lucky 5, Dollaz, Pick 3, Lotto and a variety of instant games. The effective date of the licences is January 1, 2007.

Under the new licence SVLotteries is required to establish a dedicated bank account into which will be Paid funds to ensure that on a continuous basis throughout the terms of the licence, the credit balance on that account is not less than 100% of the aggregate amount of SVLotteries liabilities which includes:

- (a) Prizes liability
- (b) The fees payable to BGLC
- (c) The specific gaming taxes payable to the Government of Jamaica, and
- (d) The contribution payable to CHASE Fund under the licences.

Balances at 31<sup>st</sup> July 2007 are as follows:

	\$'000
<b>Dedicated Cash Account</b>	<u>\$345,465</u>
<b>Aggregate Liabilities</b>	<u>\$173,839</u>