

SUPREME VENTURES Limited

8 CONSOLIDATED
AUDITED FINANCIAL STATEMENTS
AS AT 31ST OCTOBER 2008



19th December 2008

The Board of Directors of Supreme Ventures Limited (SVL) is pleased to release the audited results for SVL and its subsidiaries for the financial year ended 31st October 2008.

The financial year witnessed many challenges that affected the business climate. These included high inflation rates, mainly associated with the dramatic depreciation of the Jamaican dollar against all international currencies, continued effects arising from the demise of alternate investment schemes and a major natural disaster (Hurricane Gustav). These all affected our direct consumers, for whom disposable income declined rapidly to participate in gaming and entertainment activities.

Despite the challenges, the company continues to maintain the support of our customers, which resulted in the positive fiscal highlights displayed below.

FISCAL HIGHLIGHTS FOR THE SVL GROUP:

- Net Profit after tax of \$646M - a 59.4% increase over 2007
- Total Revenue of \$21.2B - a 11.9% increase over 2007
- Earnings Per Stock of 0.24 cents - a 60.7% increase over 2007
- Total Assets of \$4.3B - a 10.6% increase over 2007
- Cash and Cash Equivalents at the end of the year of \$905.3M - a 7.8% increase over 2007
- Retained Earnings of \$833.1M - a 92.2% increase over 2007

BUSINESS HIGHLIGHTS:

- Cross listing on the Trinidad and Tobago Stock Exchange
- Game changes to the Lucky 5, Lotto, and Pick 3 games
- Acquisition of Big A Track (2003) Limited and the contract for Sports Betting with INTRALOT
- Opening of our new gaming lounge Acropolis in May Pen
- Payment of a total of \$420.8M in capital distribution payments to our shareholders

Our increasing financial success continues to be as a result of our focus on marketing and product enhancements where possible and continued commitment from our dedicated Agents, management and staff islandwide.

OUTLOOK FOR 2009


The SVL Group recognizes and fully appreciates the challenges of the current global economic crisis and the significant effects expected on the Jamaican economy in 2009, particularly in the areas of tourism, remittances and bauxite. This will have a direct impact on our core players and require that we continue to identify ways to review and re-organize the lottery game portfolio, restructure and improve the performance of the gaming lounge operations and aggressively manage operating expenses.

Supreme Ventures expects to launch the new Sports Betting operations enabled by the acquisition of "Big A" and technology provided through INTRALOT by the end of the 2nd Quarter of 2009, while we continue to look for opportunities to expand our lottery gaming operations with our current Lottery Provider - GTECH.

The Supreme Ventures Group also expects the restart of lottery operations by SGL BVI in Guatemala no later than March 2009. This will see servicing of the outstanding loan commitment by SGL BVI to the Supreme Ventures Group and the receipt of the franchise fee that is a condition of the loan agreement.

The Supreme Ventures Group takes this opportunity to thank all its stakeholders for their loyalty, support and business over the past year.

On behalf of the Board



Paul Hoo
Chairman



Brian George
President & CEO



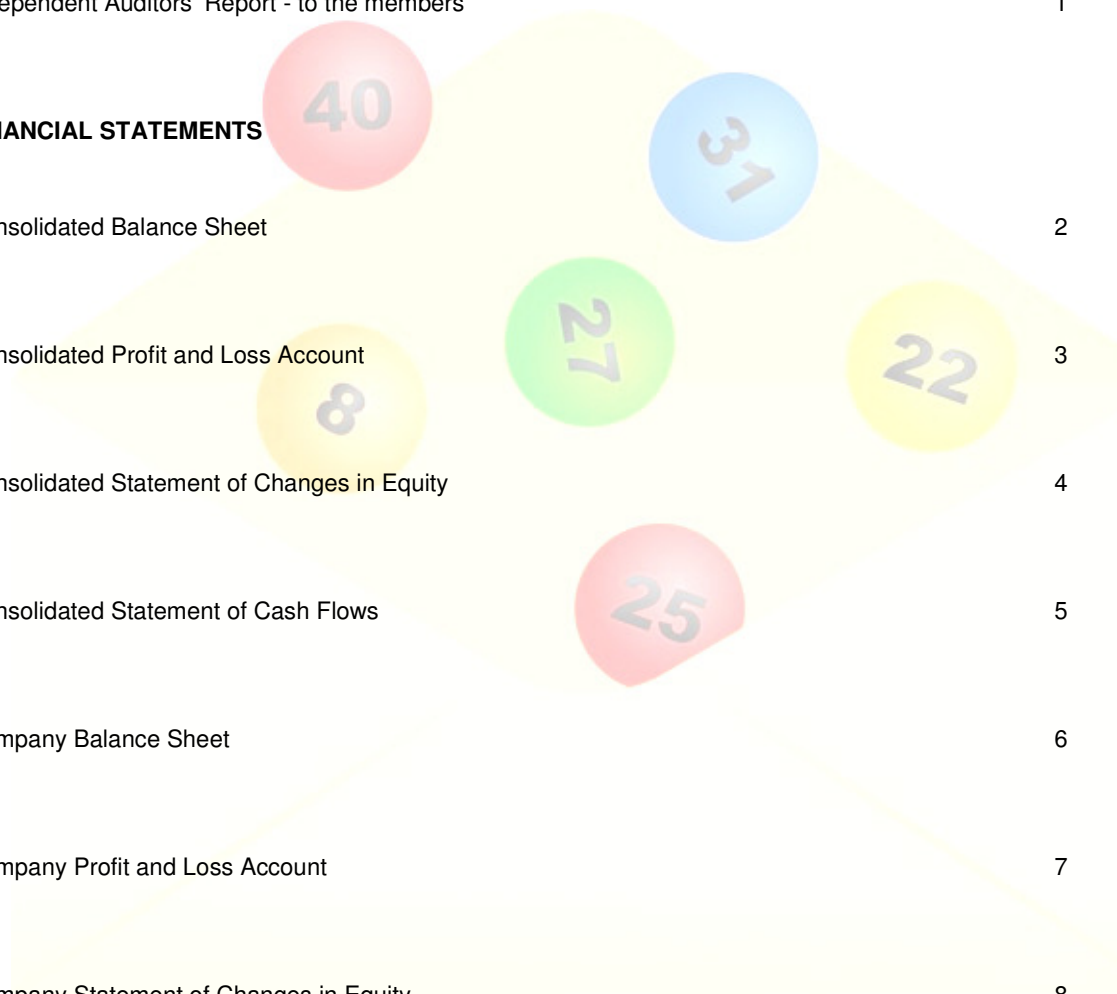
**CONSOLIDATED
AUDITED FINANCIAL STATEMENTS
AS AT 31ST OCTOBER 2008**

**SUPREME VENTURES LIMITED
AND ITS SUBSIDIARIES**

YEAR ENDED OCTOBER 31, 2008

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INDEPENDENT AUDITORS' REPORT

To the Members of

SUPREME VENTURES LIMITED

Report on the financial statements

We have audited the financial statements of Supreme Ventures Limited (the Company), and its subsidiaries (the Group), set out on pages 2 to 61, which comprise the consolidated and the company balance sheets as at October 31, 2008, the consolidated and the company profit and loss accounts, statements of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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Report on the financial statements (Cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at October 31, 2008, the financial performance, and cash flows of the Group and the Company for the year then ended in accordance with International Financial Reporting Standards.

Report on additional requirements of the Companies Act of Jamaica

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained and the financial statements are in agreement therewith and give the information required in the manner so required.

Chartered Accountants

Kingston, Jamaica,
December 19, 2008

Member firm
Deloitte Touche Tohmatsu

Carry O. Metz, Audley L. Gordon, Winston G. Robinson, Fagan E. Calvert, Gilan C. deMel

Consultants: T. Sydney Fernando, Donald S. Reynolds

SUPREME VENTURES LIMITED

CONSOLIDATED BALANCE SHEET
AT OCTOBER 31, 2008

	<u>Notes</u>	<u>2008</u> \$'000	<u>2007</u> \$'000
ASSETS			
Non-current assets			
Property and equipment	5	2,061,071	1,770,584
Goodwill	6	586,644	586,644
Other intangible assets	7	55,085	28,094
Long-term receivable	9	320,005	284,035
Available-for-sale investments	10	16,939	16,939
Investment in joint venture	11	34,221	34,221
Deferred tax assets	12	<u>2,619</u>	<u>31,130</u>
		<u>3,076,584</u>	<u>2,751,647</u>
Current assets			
Other assets	13	18,069	18,069
Inventories	14	48,886	97,100
Trade and other receivables	15	246,753	178,879
Cash and bank balances	17	<u>905,295</u>	<u>839,509</u>
		<u>1,219,003</u>	<u>1,133,557</u>
Total assets		<u>4,295,587</u>	<u>3,885,204</u>
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	18	1,967,183	1,967,183
Revaluation reserve	19	-	23,500
Capital reserve	20	145,767	-
Retained earnings	34	<u>833,123</u>	<u>433,422</u>
		<u>2,946,073</u>	<u>2,424,105</u>
Non-current liabilities			
Long-term liabilities	21	<u>267,803</u>	<u>375,777</u>
Current liabilities			
Trade and other payables	22	596,171	598,294
Current portion of long-term liabilities	21	133,066	169,193
Prizes payable		108,244	145,505
Income tax payable		<u>244,230</u>	<u>172,330</u>
		<u>1,081,711</u>	<u>1,085,322</u>
Total equity and liabilities		<u>4,295,587</u>	<u>3,885,204</u>

The Notes on Pages 10 to 61 form an integral part of the financial statements.

The financial statements on Pages 2 to 61 were approved and authorized for issue by the Board of Directors on December 19, 2008 and are signed on its behalf by:



Paul Hoo – Chairman



Brian George – President and CEO

SUPREME VENTURES LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED OCTOBER 31, 2008**

	<u>Notes</u>	<u>2008</u> \$'000	<u>2007</u> \$'000
Revenue	23	21,204,444	18,946,913
Direct expenses	25	<u>(18,207,114)</u>	<u>(16,986,308)</u>
Gross profit		2,997,330	1,960,605
Interest income		84,554	46,956
Operating expenses	26	(1,941,629)	(1,331,237)
Other gains and losses	28	-	(24,615)
Finance costs	29	<u>(32,422)</u>	<u>(20,478)</u>
PROFIT BEFORE TAXATION	30	1,107,833	631,231
Taxation	32	<u>(461,844)</u>	<u>(225,831)</u>
NET PROFIT	33	<u><u>645,989</u></u>	<u><u>405,400</u></u>
EARNINGS PER STOCK	35		
Basic		<u>0.24</u> Cents	<u>0.15</u> Cents
Diluted		<u>0.24</u> Cents	<u>0.15</u> Cents

The Notes on Pages 10 to 61 form an integral part of the financial statements.

SUPREME VENTURES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED OCTOBER 31, 2008

	<u>Notes</u>	<u>Share Capital \$'000</u>	<u>Capital Reserves \$'000</u>	<u>Revaluation Reserve \$'000</u>	<u>Retained Earnings \$'000</u>	<u>Total \$'000</u>
Balance at November 1, 2006		<u>1,967,183</u>	<u>-</u>	<u>11,572</u>	<u>28,022</u>	<u>2,006,777</u>
Gain on revaluation of land and buildings	19	-	-	16,195	-	16,195
Deferred tax adjustment on revaluation reserve	12	-	-	(4,267)	-	(4,267)
<i>Net income recognized directly in equity</i>		-	-	11,928	-	11,928
Net profit for the year		-	-	-	405,400	405,400
<i>Total recognized income</i>		-	-	11,928	405,400	417,328
Balance at November 1, 2007		<u>1,967,183</u>	<u>-</u>	<u>23,500</u>	<u>433,422</u>	<u>2,424,105</u>
Gain on revaluation of land and buildings	19	-	-	316,289	-	316,289
Deferred tax adjustment on revaluation reserve	12	-	-	9,307	-	9,307
<i>Net income recognized directly in equity</i>		-	-	325,596	-	325,596
Net profit for the year		-	-	-	645,989	645,989
<i>Total recognized income</i>		-	-	325,596	645,989	971,585
Transfers arising on reorganization and amalgamation	19,20	-	566,606	(349,096)	(246,288)	(28,778)
Capital distributions	38	-	(420,839)	-	-	(420,839)
Balance at October 31, 2008		<u>1,967,183</u>	<u>145,767</u>	<u>-</u>	<u>833,123</u>	<u>2,946,073</u>

The Notes on Pages 10 to 61 form an integral part of the financial statements.

SUPREME VENTURES LIMITED**CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED OCTOBER 31, 2008**

	<u>2008</u>	Restated <u>2007</u>
	\$'000	\$'000
OPERATING ACTIVITIES		
Net profit	645,989	405,400
Adjustments for:		
Depreciation of property and equipment	173,601	120,143
Amortization of intangible assets	1,820	1,484
Adjustments to property and equipment	(34)	2,000
Gain on disposal of property and equipment	(124)	(417)
Operating assets written off	2,672	-
Loss on revaluation of property	2,396	-
Unrealized exchange losses	26,024	251
Exchange gain on long-term receivable	(20,442)	-
Other gains and losses	-	24,615
Impairment loss recognized on trade receivables	20,936	24,756
Reversal of impairment loss on trade receivables	(11,638)	(16,085)
Interest income	(84,554)	(46,956)
Interest expenses	32,422	20,478
Income tax expenses	<u>461,844</u>	<u>225,831</u>
Operating cash flow before movement in working capital	1,250,912	761,500
(Increase) decrease in operating assets		
Other assets	-	(5,781)
Inventories	48,214	(67,796)
Trade and other receivables	(77,155)	(49,199)
Increase (decrease) in operating liabilities		
Trade and other payables	(2,123)	10,775
Prizes payable	<u>(37,261)</u>	<u>70,146</u>
Cash generated by operations	1,182,587	719,645
Income tax paid	(352,126)	(111,739)
Interest paid	<u>(32,422)</u>	<u>(13,567)</u>
Cash provided by operating activities	<u>798,039</u>	<u>594,339</u>
INVESTING ACTIVITIES		
Acquisition of property and equipment (Note 5)	(154,041)	(189,948)
Acquisition of intangible assets	(28,811)	(1,495)
Proceeds on disposal of property and equipment	1,315	2,260
Long-term receivable	-	85,997
Interest received	<u>69,026</u>	<u>46,980</u>
Cash used in investing activities	<u>(112,511)</u>	<u>(56,206)</u>
FINANCING ACTIVITIES		
Cost of restructuring and amalgamation	(28,778)	-
Dividends paid	(420,839)	-
Loans repaid	(152,221)	(41,731)
Lease obligations paid	<u>(17,904)</u>	<u>(10,656)</u>
Cash used in financing activities	<u>(619,742)</u>	<u>(52,387)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	65,786	485,746
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>839,509</u>	<u>353,763</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>905,295</u>	<u>839,509</u>

The Notes on Pages 10 to 61 form an integral part of the financial statements.

SUPREME VENTURES LIMITED

BALANCE SHEET AT OCTOBER 31, 2008

	Notes	<u>2008</u> \$'000	<u>2007</u> \$'000
ASSETS			
Non-current assets			
Property and equipment	5	420,136	347,142
Goodwill	6	189,953	-
Other intangible assets	7	802	1,939
Investment in subsidiaries	8	1,218,531	1,193,439
Long-term receivable	9	558,664	284,035
Available-for-sale investments	10	<u>16,939</u>	<u>16,939</u>
		<u>2,405,025</u>	<u>1,843,494</u>
Current assets			
Income tax recoverable		-	961
Inventories	14	33,983	87,279
Trade and other receivables	15	24,129	11,114
Due from related parties	16	82,100	406,256
Cash and bank deposits	17	<u>82,519</u>	<u>68,384</u>
		<u>222,731</u>	<u>573,994</u>
Total assets		<u>2,627,756</u>	<u>2,417,488</u>
EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	18	1,967,183	1,967,183
Capital reserve	20	145,767	-
Retained earnings – deficit		<u>(2,025)</u>	<u>(104,482)</u>
		<u>2,110,925</u>	<u>1,862,701</u>
Non-current liabilities			
Long-term liability	21	148,414	219,984
Deferred tax liability	12	<u>38,392</u>	<u>8,808</u>
		<u>186,806</u>	<u>228,792</u>
Current liabilities			
Trade and other payables	22	213,686	210,618
Current portion of long-term liability	21	87,404	115,377
Income tax payable		<u>28,935</u>	<u>-</u>
		<u>330,025</u>	<u>325,995</u>
Total equity and liabilities		<u>2,627,756</u>	<u>2,417,488</u>

The Notes on Pages 10 to 61 form an integral part of the financial statements.

The financial statements on Pages 2 to 61 were approved and authorized for issue by the Board of Directors on December 19, 2008 and are signed on its behalf by:



Paul Hoo – Chairman



Brian George – President and CEO

SUPREME VENTURES LIMITED**PROFIT AND LOSS ACCOUNT****YEAR ENDED OCTOBER 31, 2008**

	<u>Notes</u>	<u>2008</u> <u>\$'000</u>	<u>2007</u> <u>\$'000</u>
Revenue	23	1,276,698	3,551,580
Direct expenses	25	(932,100)	(3,334,494)
Gross Profit		344,598	217,086
Interest income		67,704	28,636
Operating expenses	26	(232,778)	(243,247)
Other gains and losses	28	-	(24,615)
Finance cost	29	(14,368)	(6,911)
PROFIT (LOSS) BEFORE TAXATION	30	165,156	(29,051)
Taxation	32	(62,699)	(2,129)
NET PROFIT (LOSS)		<u>102,457</u>	<u>(31,180)</u>

The Notes on Pages 10 to 61 form an integral part of the financial statements.

SUPREME VENTURES LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED OCTOBER 31, 2008

	<u>Notes</u>	<u>Share Capital</u> \$'000	<u>Capital Reserve</u> \$'000	<u>Retained Earnings</u> \$'000	<u>Total</u> \$'000
Balance at November 1, 2006		<u>1,967,183</u>	<u>-</u>	<u>(73,302)</u>	<u>1,893,881</u>
Net loss for the year		<u>-</u>	<u>-</u>	<u>(31,180)</u>	<u>(31,180)</u>
Total recognized expenses for the year		<u>-</u>	<u>-</u>	<u>(31,180)</u>	<u>(31,180)</u>
Balance at November 1, 2007		<u>1,967,183</u>	<u>-</u>	<u>(104,482)</u>	<u>1,862,701</u>
Net profit for the year		<u>-</u>	<u>-</u>	<u>102,457</u>	<u>102,457</u>
Total recognized income for the year		<u>-</u>	<u>-</u>	<u>102,457</u>	<u>102,457</u>
Transfers arising on reorganization and amalgamation	20	<u>-</u>	<u>566,606</u>	<u>-</u>	<u>566,606</u>
Capital distributions	38	<u>-</u>	<u>(420,839)</u>	<u>-</u>	<u>(420,839)</u>
Total recognized in equity		<u>-</u>	<u>145,767</u>	<u>-</u>	<u>145,767</u>
Balance at October 31, 2008		<u>1,967,183</u>	<u>145,767</u>	<u>(2,025)</u>	<u>2,110,925</u>

The Notes on Pages 10 to 61 form an integral part of the financial statements.

SUPREME VENTURES LIMITED**STATEMENT OF CASH FLOWS****YEAR ENDED OCTOBER 31, 2008**

	<u>2008</u> \$'000	<u>2007</u> \$'000
OPERATING ACTIVITIES		
Net profit (loss)	102,457	(31,180)
Adjustment for:		
Depreciation of property and equipment	56,772	26,518
Gain on disposal of property and equipment	(60)	(938)
Unrealised exchange loss (net)	16,861	(6,446)
Exchange gain on long-term receivable	(8,088)	-
Write-off of project advances and receivables	-	24,615
Amortization of intangible assets	1,137	1,091
Interest income	(67,704)	(28,636)
Interest expenses	14,368	6,911
Income tax expenses	<u>62,699</u>	<u>2,129</u>
Operating cash flows before movement in working capital	178,442	(5,936)
Decrease (increase) in inventory	53,296	(69,128)
Decrease in trade and other receivables	1,759	57,380
Decrease in due from related parties	40,508	93,590
Decrease in trade and other payables	(8,842)	(244,433)
(Decrease) increase in prizes payable	<u>-</u>	<u>(75,359)</u>
Cash generated from (used in) operations	265,163	(243,886)
Interest paid	(14,368)	-
Income tax paid	<u>(3,219)</u>	<u>(47,027)</u>
Cash provided by (used in) operating activities	<u>247,576</u>	<u>(290,913)</u>
INVESTING ACTIVITIES		
Interest received	52,176	28,642
Acquisition of property and equipment	(4,436)	(16,932)
Proceeds on disposal of property and equipment	1,112	2,175
Acquisition of intangible assets	-	(1,495)
Long-term receivable	307,651	85,997
Investment in subsidiary	<u>(22,889)</u>	<u>(1,000)</u>
Cash provided by investing activities	<u>333,614</u>	<u>97,387</u>
FINANCING ACTIVITIES		
Cost of restructuring and amalgamation	(28,778)	-
Dividend paid	(420,839)	-
Loan repaid	<u>(118,502)</u>	<u>-</u>
Cash used in financing activities	<u>(568,119)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	13,071	(193,526)
Cash and bank balances transferred on amalgamation (Note 41)	<u>1,064</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	14,135	(193,526)
	<u>68,384</u>	<u>261,910</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>82,519</u>	<u>68,384</u>

The Notes on Pages 10 to 61 form an integral part of the financial statements.

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

1 IDENTIFICATION

(a) Group

Supreme Ventures Limited (the company) is a public limited liability company which is listed on the Jamaica Stock Exchange. The company's registered office is 4th Floor, Sagicor Centre, 28-48 Barbados Avenue, Kingston 5.

The company's main activities up to January 1, 2007, was the promotion and operation of lottery type games under licences from the Betting, Gaming & Lotteries Commission (BGLC). Based on an agreement with BGLC the licences were transferred to a wholly-owned subsidiary, Supreme Ventures Lotteries Limited as of January 2, 2007 (see below). The main activities of the company since January 2, 2007, are the management of the subsidiary companies and sale of mobile phone pin codes.

The Group comprises the company and its wholly-owned subsidiaries which are all incorporated in Jamaica.

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

<u>Name of Company</u>	<u>Principal Activity</u>	<u>Percentage Ownership</u> %
Supreme Ventures Lotteries Limited and its subsidiary:	Lottery operations (from January 2, 2007)	100
Bingo Investments Limited	Lottery operations (from March 15, 2008)	100
Prime Sports (Jamaica) Limited and its wholly-owned subsidiary:	Gaming operations	100
Chillout Ventures Limited	Gaming operations (not in operation)	100
Supreme Ventures Financial Services Limited	Foreign exchange dealer services	100
Big A Track 2003 Limited	Sports betting (not in operation)	100
Jamaica Lottery Company Limited (JLC) and its wholly owned subsidiaries	Lottery operations (in voluntary liquidation)	100
Jamaica Lottery Holdings Limited (JLH)	Inactive	100
Coral Cliff Entertainment Limited	Hospitality services (in voluntary liquidation)	100
Village Square Entertainment Limited	Gaming operations (in voluntary liquidation)	100

Supreme Ventures Lotteries Limited (SVLL) was originally incorporated as Supreme Ventures Holdings Limited on April 1, 2005. By certificate of incorporation on change of name dated December 12, 2006, the name was changed to the current name. SVLL which was previously owned by the three major shareholders of the company became a wholly-owned subsidiary of the company effective December 10, 2006.

SVLL commenced operation on January 2, 2007, to promote and operate lottery type games under a licence from BGLC, which up to January 1, 2007 were operated by the company. The tenure of the licence issued to SVLL is from January 1, 2007 to January 10, 2016. The licence permits SVLL to promote lottery games namely; Cash Pot, Lucky 5, Dollaz!, Pick 3, Lotto, Prime Time Bingo and a variety of instant games.

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

1 IDENTIFICATION (Cont'd)

(a) Group (Cont'd)

Effective April 3, 2008, the Group was re-organized in a bid to streamline its operations. The scheme of reorganization and amalgamation resulted in the following:

- (i) The assets, liabilities and operations of Coral Cliff Entertainment Limited (CCEL) and Village Square Entertainment Limited (VSEL) which were previously subsidiaries of Jamaica Lottery Company Limited (JLC) were transferred to Prime Sports (Jamaica) Limited.
- (ii) The assets, liabilities and operations of JLC were transferred to the parent company, Supreme Ventures Limited (SVL). As a result Supreme Ventures Financial Services Limited became a wholly-owned subsidiary of SVL.
- (iii) The ownership of Chillout Ventures Limited was transferred from JLC to Prime Sports (Jamaica) Limited.

Effective April 3, 2008, CCEL, VSEL and JLC ceased operations and have been put into members' voluntary liquidation.

On July 17, 2008, the company acquired Big A Track 2003 Limited, a company incorporated and domiciled in Jamaica.

(b) Reporting periods

The fiscal period end of all the subsidiaries in the Group is October 31.

(c) Reporting currency

These financial statements are expressed in Jamaican dollars which is the functional currency of the Group.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1 *Standards and Interpretations effective in the current year*

In the current year, the Group adopted IFRS 7 Financial Instruments: Disclosures effective for accounting period beginning on November 1, 2007, and the consequential amendments to IAS 1, Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the group's financial instruments and management of capital (See Note 40).

Five interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are:

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

2.1 Standards and Interpretations effective in the current year (Cont'd)

IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyper-Inflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 11	Group and Treasury Share Transactions

The adoption of these Interpretations has not resulted in changes to the Group's accounting policies nor the amounts reported for the current or prior years.

2.2 Standards and Interpretations in issue not yet adopted

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not effective for the financial period being reported on:

		<u>Effective for annual periods beginning on or after</u>
IAS 1 (Revised)	Presentation of Financial Statements	January 1, 2009
IAS 23 (Revised)	Borrowing Costs	January 1, 2009
IAS 27	Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 28	Investments in Associates – Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 31	Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 32	Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation	January 1, 2009
IAS 39	Financial Instruments: Recognition and measurement - Amendments for eligible hedged items	July 1, 2009
IAS 1,16,19,20,) 23,27,28,29,)) 31, 36,38,39,)) 40, 41)	Amendments resulting from May 2008 annual improvements to IFRS	January 1, 2009
IFRS 1	First time adoption of IFRS – Amendment relating to cost of an investment on first time adoption	July 1, 2009
IFRS 2	Share-based Payment – Amendment relating to vesting conditions and cancellations	January 1, 2009
IFRS 3	Business Combinations – Comprehensive revision on applying the acquisition method	July 1, 2009
IFRS 5	Amendments resulting from May 2008 annual improvements to IFRS	July 1, 2009

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

2.2 Standards and Interpretations in issue not yet adopted (Cont'd)

		Effective for annual periods beginning on or after
IFRS 8	Operating Segments	January 1, 2009
IFRIC 12	Service Concession Arrangements	January 1, 2008
IFRIC 13	Customer Loyalty Programmes	July 1, 2008
IFRIC 14	IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction	January 1, 2008
IFRIC 15	Agreements for the Construction of Real Estate	January 1, 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	October 1, 2008
IFRIC 17	Distribution of Non-Cash Assets to Owners	July 1, 2009

Except as noted below, the Board of Directors anticipate that the adoption of these Standards and Interpretations in the future periods at their effective dates will not be applicable to the financial statements of the Group in the period of initial application.

- *IAS 1 (Revised 2007) Presentation of Financial Statements* – IAS 1, among other things, affects the presentation of owner changes in equity and comprehensive income. It requires the presentation of all non-owners changes in equity (comprehensive income) in one or two statements; either in a single statement of comprehensive income, or in an income statement and a statement of comprehensive income. On adoption at its effective date, the standard will result in a change in the presentation of the Group's income statement and the statement of changes in equity.
- *IAS 23 (Revised) - Borrowing Costs* removes the option of either capitalising borrowing costs relating to qualifying assets or expensing these borrowing costs. The revised standard requires management to capitalise borrowing costs attributable to qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use or sale. The adoption of this revised standard at its effective date is not expected to have a material impact on the Group's financial statements.
- Revised IFRS 3 Business Combinations and consequential amendments to IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. The revisions remove the scope exclusions for business combinations involving two or more mutual entities and business combinations in which separate entities are brought together to form a reporting entity by contract alone without the obtaining of an ownership interest. The standard is not expected to have any significant impact on the Group's financial statements.
- *IFRS 8 Operating Segments* – IFRS 8 replaces IAS 14 and sets out requirements for disclosure of information about an entity's operating segments and about the entity's products and services, the geographical areas in which it operates and its major customers. The standard is required for entities whose debt or equity instruments are traded in a public market or that file their financial information with a regulatory organization for the purpose of issuing any class of instruments in a public market. The adoption of this standard at its effective date is relevant to the Group and will have an impact on segment reporting in the financial statements.

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

During the year, the Group changed its policy on measurement of freehold land and buildings from the cost method to the valuation method.

3.2 Basis of preparation

These financial statements have been prepared under the historical cost basis except for the revaluation of freehold land and buildings. The principal accounting policies are set out below:

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3.4 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, Business Combinations are recognized at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.5 Interest in joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is, where the strategic financial and operating policy decisions relating to the activities of the joint venture require unanimous consent of the parties sharing control.

Where a Group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities is carried jointly with other venturers and are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interest in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured readily.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interest in jointly controlled entities using proportionate consolidation. The Group's share of the assets, liabilities, income and expenses and jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill on the acquisition of a subsidiary.

Where the Group transacts with its jointly controlled entities, unrealised profit and loss are eliminated to the extent of the Group's interest in the joint venture.

3.6 Property and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited in equity to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from revaluation reserve to retained earnings except when an asset is derecognized.

Other property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Freehold land is not depreciated.

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.6 Property and equipment (Cont'd)

Property and equipment in the course of construction or assembly for production or administrative purposes or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets on the same basis as similar property and equipment, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and capital work-in-progress, over the estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.7 Goodwill

Goodwill arising on the acquisition of a subsidiary or jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entities recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.8 Intangible assets

3.8.1 Intangible assets acquired separately

Intangible assets acquired separately, primarily computer software not integral to computer hardware, are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual period, with the effect of any changes in estimate being accounted for on a prospective basis.

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.8 Intangible assets (Cont'd)

3.8.2 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination, such as value of licences acquired, are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at acquisition date.

Subsequent to initial recognition intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses on the same basis as intangible assets acquired separately.

3.9 Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, separate assets are also allocated to the smallest group of cash generating units.

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount in which case the reversal is treated as a revaluation increase.

3.10 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

3.10.1 Current tax

The tax currently payable is based on taxable profits for the year. Taxable profit differs from the net profit as reported in the profit and loss account balance. It excludes items of revenue or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted at balance sheet date.

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.10 Taxation (Cont'd)

3.10.2 Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profits and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realized based on tax rates (and tax laws) that have been enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.10.3 Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity in which case the tax is also recognized directly in equity.

3.11 Other assets

These are stated at the lower of cost, and net realizable value.

3.12 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated on a first-in, first-out (FIFO) basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.13 Financial instruments

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

A financial asset is any asset that is:

- (a) cash
- (b) an equity instrument of another entity
- (c) a contractual right
 - (i) to receive cash or another financial asset from another entity; or
 - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation:

- (i) to deliver cash or another financial asset to another entity; or
- (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group.

3.14 Financial assets

Financial assets are recognized and derecognized on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned and are initially measured at fair value, plus transaction costs.

Financial assets of the Group include cash and bank deposits, trade and other receivables, long-term receivable and unquoted investments.

Financial assets are classified into the following specified categories: 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3.14.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period.

3.14.2 Loans and receivables

Trade receivable, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.14 *Financial assets (Cont'd)*

3.14.3 Available-for-sale investments

Unquoted investments are classified as 'available-for-sale' and are stated at fair value, except where fair value cannot be reliably determined, they are stated at cost. Gains and losses arising from changes in fair value are recognized directly in equity, with exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit and loss. Where the investment is disposed of or is determined to be impaired the cumulative gain or loss previously recognized in equity is included in profit or loss for the period.

3.14.4 Related party

A party is considered to be related if:

- (i) directly or indirectly, through one or more intermediaries, one party is able to exercise control or significant influence over the other party;
- (ii) both parties are subject to common control or significant influence from the same source;
- (iii) the party is a member of key management personnel of the Group or its parent, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors, officers and close members of the families of these individuals; or
- (iv) the party is a post-employment benefit plan for the benefit of the employees of the Group.

3.14.5 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, net of bank overdraft, and other highly liquid bank deposits held with financial institutions, with an original maturity of three months or less from the date of acquisition and are held to meet cash requirements rather than for investment purposes.

3.14.6 Impairment of financial assets

Financial assets are assessed for indication of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all financial assets, including redeemable notes classified as AFS objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.14 *Financial assets (Cont'd)*

3.14.6 Impairment of financial assets (Cont'd)

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the profit and loss account to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

3.14.7 De-recognition of financial assets

The Group de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

3.15 **Financial liabilities and equity instruments issued by the Group**

3.15.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.15.2 Financial liabilities

Financial liabilities of the Group are classified as other financial liabilities and include borrowings, trade and other payable and prizes payable, and are initially measured at fair value net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognized on an effective yield basis.

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.15 Financial liabilities and equity instruments issued by the Group (Cont'd)

3.15.2 Financial liabilities (Cont'd)

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

3.15.3 Derecognition of financial liabilities

The Group recognizes financial liability when, and only when, the Group's obligations are discharged, cancelled or they expire.

3.15.4 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3.16 Revenue

Revenue represents the gross proceeds of the lottery games, Cash Pot, Lucky 5, Dollaz, Pick 3, Lotto, Prime Time Bingo and Instant Games, pin code sales, income earned from remittance and foreign exchange dealer services, proceeds from hospitality and gaming operations by the Group. Revenue is recognized as follows:

3.16.1 Lottery

Ticket sales – lottery games are sold to the public by contracted retail agents. Revenue is recognized when tickets are sold to players.

Unclaimed prizes – in keeping with clause number 28 of the licence, winning tickets must be redeemed within 90 days of the relevant draw unless otherwise notified. Any valid winning ticket presented after the expiration of this period may be paid provided payment is made within 180 days of the draw, after which prizes may be paid only with written approval of BGLC. Fifty percent (50%) of unclaimed prizes (net of taxes where applicable) are transferred to revenue and the remainder is paid over to the CHASE Fund.

3.16.2 Gaming – revenue is recorded based on the cash value of tokens cleared from the 'drop box' (net wins) and the cash bills cleared from the bill receptor.

3.16.3 Hospitality

Hospitality and related services – recognised when the service is provided.

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.16 Revenue (Cont'd)

3.16.4 Financial services

Revenue for remittance services – recognized at the point of receipt of funds for remittance by Moneygram International – (a sent fee) and at the point of pay out by the agents – (commission income).

Foreign exchange trading – revenue comprises net gains from foreign exchange trading and is accounted for on the accrual basis.

3.16.5 Pin codes

Pin codes are sold to the public by the contracted retail agents. Revenue is recognized when pin codes are sold by the agents.

3.17 Segment reporting

A segment is a distinguishable component of the Group that is engaged in either providing products or services.

Segment information is presented in respect of the Group's business. The primary format for business segments is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

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

- (a) Lottery
- (b) Gaming and hospitality
- (c) Financial services
- (d) Pin codes and other

3.18 Foreign currencies

The financial statements of the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of the Group, transactions in currencies other than the Group's functional currency, the Jamaican dollar, are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlements of monetary items and on the retranslation of monetary items, are included in profit and loss account for the period.

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.19 Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss over the lease period.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

3.20 Retirement benefit costs

Payments to the defined contribution retirement benefit plan are recognized as an expense when employees have rendered service entitling them to the contributions.

3.21 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.22 Comparative information

Where necessary comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, the comparatives have been extended to reflect the requirements of amendments to existing IFRS.

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognized in the financial statements.

Goodwill

As described in Note 6 to the financial statements goodwill arising on acquisition at the balance sheet date amounts to \$586.6 million. The directors and management have carried out an assessment and have made a judgement that goodwill that exists at the balance sheet date is not impaired, and no adjustments have been made to recognize any losses.

Deferred tax assets

As described in Note 12, the financial statements include a deferred tax assets of the Group of \$37.3 million representing tax benefits of tax losses available for set-off against future taxable profits. The judgement made by the directors and management is that based on the continuing reorganization plans and projections of the Group, the subsidiary currently operating at a loss will return to profitability and therefore the deferred tax asset is realizable in the future.

Key sources of estimation uncertainty

Except as noted below there were no other key assumptions concerning the future, and other key source of estimation uncertainty at the balance sheet date that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Other assets

As described in Note 13 to the financial statements other assets include acquisition cost in the amount of \$18.1 million for tokens that are used in the gaming machines. The directors and management estimate that there is no deterioration in value through usage and cost is less than the net realizable value. As a consequence no charge has been made to the profit and loss account.

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

5 PROPERTY AND EQUIPMENT

	The Group												
	Freehold Land (At Valuation)	Freehold Buildings (At Valuation)	Leasehold Buildings	Leasehold Improvements	Machinery & Equipment	Gaming Equipment	Furniture, Fixtures & Equipment	Computer Equipment	Motor Vehicles	Arts & Paintings	Signs & Posters	Capital Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost/Valuation													
November 1, 2006	119,296	555,240	-	211,725	70,896	61,297	444,278	17,939	39,860	2,363	24,928	-	1,547,822
Additions	-	-	120,348	65	21,287	374,475	31,558	2,538	5,550	-	-	73,021	628,842
Revaluation adjustment	3,390	11,758	-	-	-	-	-	-	-	-	-	-	15,148
Adjustment	-	-	-	-	-	(2,000)	-	-	-	-	-	-	(2,000)
Disposals	-	-	-	(710)	-	-	(2,084)	-	(2,854)	-	-	-	(5,648)
At November 1, 2007	122,686	566,998	120,348	211,080	92,183	433,772	473,752	20,477	42,556	2,363	24,928	73,021	2,184,164
Additions	-	-	-	1,603	7,518	16,823	38,574	2,683	35,605	-	-	51,235	154,041
Revaluation adjustment	10,314	302,982	-	-	-	-	-	-	-	-	-	-	313,296
Reclassification	-	-	-	(23,690)	108,702	25,272	(106,673)	(3,611)	-	-	-	-	-
Transfers	-	-	-	122,102	-	-	-	-	-	-	-	(122,102)	-
Disposals	-	-	-	-	-	-	(2,672)	-	(7,572)	-	-	-	(10,244)
October 31, 2008	<u>133,000</u>	<u>869,980</u>	<u>120,348</u>	<u>311,095</u>	<u>208,403</u>	<u>475,867</u>	<u>402,981</u>	<u>19,549</u>	<u>70,589</u>	<u>2,363</u>	<u>24,928</u>	<u>2,154</u>	<u>2,641,257</u>
Depreciation													
November 1, 2006	-	11,277	-	41,850	6,367	13,304	169,112	14,326	18,944	-	23,109	-	298,289
Charge for the year	-	12,168	-	22,124	7,089	26,935	40,672	2,368	7,462	-	1,325	-	120,143
Revaluation adjustment	-	(1,047)	-	-	-	-	-	-	-	-	-	-	(1,047)
Disposals	-	-	-	(375)	-	-	(1,814)	-	(1,616)	-	-	-	(3,805)
November 1, 2007	-	22,398	-	63,599	13,456	40,239	207,970	16,694	24,790	-	24,434	-	413,580
Charge for the year	-	19,669	3,009	27,795	15,565	55,149	41,528	2,150	8,367	-	369	-	173,601
Revaluation adjustment	-	(597)	-	-	-	-	-	-	-	-	-	-	(597)
Reclassification	-	-	-	(14,975)	55,563	11,716	(49,819)	(2,485)	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	(6,398)	-	-	-	(6,398)
October 31, 2008	-	<u>41,470</u>	<u>3,009</u>	<u>76,419</u>	<u>84,584</u>	<u>107,104</u>	<u>199,679</u>	<u>16,359</u>	<u>26,759</u>	-	<u>24,803</u>	-	<u>580,186</u>
Carrying amount													
October 31, 2008	<u>133,000</u>	<u>828,510</u>	<u>117,339</u>	<u>234,676</u>	<u>123,819</u>	<u>368,763</u>	<u>203,302</u>	<u>3,190</u>	<u>43,830</u>	<u>2,363</u>	<u>125</u>	<u>2,154</u>	<u>2,061,071</u>
October 31, 2007	<u>122,686</u>	<u>544,600</u>	<u>120,348</u>	<u>147,481</u>	<u>78,727</u>	<u>393,533</u>	<u>265,782</u>	<u>3,783</u>	<u>17,766</u>	<u>2,363</u>	<u>494</u>	<u>73,021</u>	<u>1,770,584</u>

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

5 **PROPERTY AND EQUIPMENT (Cont'd)**

Annual depreciation charges are being calculated using the following useful lives:

Freehold buildings	- 40 years
Leasehold improvements	- Over the life of the leases
Machine & equipment	- 10 years
Gaming equipment	- 5-10 years
Furniture, fixtures and office equipment	- 3-10 years
Computer equipment	- 3-5 years
Motor vehicles	- 5-8 years
Signs and posters	- 5 years

No depreciation is provided on freehold land, art and paintings.

Freehold land and buildings carried at fair value.

An independent valuation of the Group's land and buildings were performed by Allison Pitter & Company to determine the fair values of the land and buildings. The fair values were determined based on the open market value basis.

Property owned by the subsidiary – the effective date of valuation was January 28, 2008 (2007: Based on open market valuation in April 2005 by Messrs. Langford & Brown).

Property owned by the company – the effective date of valuation was February 21, 2008 (2007: Based on open market valuation in June 2007 by Property Consultants Limited).

Had the Group's land and buildings been measured on a historical cost basis, their carrying amount would have been as follows:

	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Freehold land	24,515	24,515
Freehold buildings	161,460	166,453

Cash outflow on acquisition of property and equipment - the Group

During 2007 the Group acquired property and equipment with an aggregate cost of \$628.842 million of which \$438.894 million was acquired by means of contracted liabilities. The balance of \$189.948 million was settled in cash and has been included as Group's cash outflow on acquisition of property and equipment.

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

5 **PROPERTY AND EQUIPMENT (Cont'd)**

	The Company											
	Freehold Land (At (Valuation) \$'000	Freehold Buildings (At (Valuation) \$'000	Leasehold Improvements \$'000	Video Lottery Terminal Equipment \$'000	Gaming Equipment \$'000	Furniture, Fixtures and Office Equipment \$'000	Computer Equipment \$'000	Motor Vehicles \$'000	Roadway and Fencing \$'000	Art and Paintings \$'000	Signs and Posters \$'000	Total \$'000
Cost/Valuation												
November 1, 2006	-	-	15,968	-	-	19,136	6,774	29,825	-	2,363	-	74,066
Additions	-	-	-	323,039	-	307	1,422	5,550	-	-	-	330,318
Disposal	-	-	-	-	-	-	-	(2,650)	-	-	-	(2,650)
At November 1, 2007	-	-	15,968	323,039	-	19,443	8,196	32,725	-	2,363	-	401,734
Additions	-	-	-	4,436	-	-	-	-	-	-	-	4,436
Acquisition on amalgamation of subsidiary	13,000	15,000	6,449	-	193,871	27,137	8,263	7,397	1,130	-	24,642	296,889
Disposal	-	-	-	-	-	-	-	(6,573)	-	-	-	(6,573)
At October 31, 2008	<u>13,000</u>	<u>15,000</u>	<u>22,417</u>	<u>327,475</u>	<u>193,871</u>	<u>46,580</u>	<u>16,459</u>	<u>33,549</u>	<u>1,130</u>	<u>2,363</u>	<u>24,642</u>	<u>696,486</u>
Depreciation												
November 1, 2006	-	-	7,081	-	-	5,193	4,628	12,585	-	-	-	29,487
Charge for the year	-	-	2,989	13,460	-	1,950	1,547	6,572	-	-	-	26,518
Disposal	-	-	-	-	-	-	-	(1,413)	-	-	-	(1,413)
At November 1, 2007	-	-	10,070	13,460	-	7,143	6,175	17,744	-	-	-	54,592
Charge for the year	-	292	2,927	32,563	10,994	2,654	1,240	5,977	16	-	109	56,772
Charge on amalgamation of subsidiary	-	125	5,867	-	101,243	23,971	8,263	6,269	250	-	24,518	170,506
Disposal	-	-	-	-	-	-	-	(5,520)	-	-	-	(5,520)
At October 31, 2008	<u>-</u>	<u>417</u>	<u>18,864</u>	<u>46,023</u>	<u>112,237</u>	<u>33,768</u>	<u>15,678</u>	<u>24,470</u>	<u>266</u>	<u>-</u>	<u>24,627</u>	<u>276,350</u>
Carrying amount												
October 31, 2008	<u>13,000</u>	<u>14,583</u>	<u>3,553</u>	<u>281,452</u>	<u>81,634</u>	<u>12,812</u>	<u>781</u>	<u>9,079</u>	<u>864</u>	<u>2,363</u>	<u>15</u>	<u>420,136</u>
October 31, 2007	<u>-</u>	<u>-</u>	<u>5,898</u>	<u>309,579</u>	<u>-</u>	<u>12,300</u>	<u>2,021</u>	<u>14,981</u>	<u>-</u>	<u>2,363</u>	<u>-</u>	<u>347,142</u>

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

5 PROPERTY AND EQUIPMENT (Cont'd)

Annual depreciation rates are based on the following useful lives:

Leasehold improvements	-	5 years
Gaming equipment	-	10 years
Furniture, fixtures and office equipment	-	10 years
Computer equipment	-	3 years
Motor vehicles	-	5 years

No depreciation is provided on art and paintings.

Cash out flow on acquisition of property and equipment - the company

The reorganization and amalgamation in 2008, as described in Note 1, resulted in the transfer of property and equipment with a net book value of \$126.383 million from the subsidiary's amalgamation with the company.

During 2007 the company acquired property and equipment with an aggregate cost of \$330.318 million of which \$313.386 million was acquired by means of a contracted liability. The balance of \$16.932 million was settled in cash and has been included as the company's cash outflow on acquisition of property and equipment.

6 GOODWILL

	<u>The Group</u>		<u>The Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Acquired goodwill	<u>586,644</u>	<u>586,644</u>	<u>189,953</u>	<u>-</u>

The impairment test is carried out by comparing the recoverable amount of the Group's cash generating units (CGUs) to which goodwill has been allocated, to the carrying amount of those CGUs plus goodwill. For the purposes of the impairment assessment, goodwill has been allocated to the group's cash generating units as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Gaming operations	381,728	381,728	-	-
Lottery operations	189,953	189,953	189,953	-
Financial Services	<u>14,963</u>	<u>14,963</u>	-	-
	<u>586,644</u>	<u>586,644</u>	<u>189,953</u>	<u>-</u>

Management has determined that the remaining goodwill balance at October 31, 2008 is not impaired based on an assessment of the recoverable amounts of the CGUs based on present value of future cash flows and fair market values.

The company

As a result of the re-organization and amalgamation (see Note 1) the goodwill arising on the acquisition of its formerly wholly-owned subsidiary Jamaica Lottery Company Limited, was transferred to the company as part of net assets transferred (see also Note 41).

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

7 **OTHER INTANGIBLE ASSETS**

	The Group			The Company
	Computer Software	Licences	Total	Computer Software
	\$'000	\$'000	\$'000	\$'000
Cost				
November 1, 2006	15,956	26,155	42,111	4,803
Additions	<u>1,495</u>	-	<u>1,495</u>	<u>1,495</u>
October 31, 2007	17,451	26,155	43,606	6,298
Additions	<u>5,922</u>	<u>22,889</u>	<u>28,811</u>	-
November 1, 2008	<u>23,373</u>	<u>49,045</u>	<u>72,417</u>	<u>6,298</u>
Amortisation				
November 1, 2006	14,028	-	14,028	3,268
Charge for the year	<u>1,484</u>	-	<u>1,484</u>	<u>1,091</u>
November 1, 2007	15,512	-	15,512	4,359
Charge for the year	<u>1,820</u>	-	<u>1,820</u>	<u>1,137</u>
October 31, 2008	<u>17,332</u>	-	<u>17,332</u>	<u>5,496</u>
Carrying Amount				
October 31, 2008	<u>6,041</u>	<u>49,044</u>	<u>55,085</u>	<u>802</u>
October 31, 2007	<u>1,939</u>	<u>26,155</u>	<u>28,094</u>	<u>1,939</u>

Licences represent the cost of the licences acquired through the subsidiaries, Chillout Ventures Limited and Big A Track 2003 Limited. These subsidiaries have not yet commenced operations.

Computer software are amortised over their useful life, which is an average of three years.

8 **INVESTMENT IN SUBSIDIARIES**

8.1 Investments in subsidiaries at cost include:

	The Company	
	2008	2007
	\$'000	\$'000
Supreme Ventures Lotteries Limited (see 8.2 below)	1,000	1,000
Jamaica Lottery Company Limited (see 8.3 below)	-	533,710
Supreme Ventures Financial Services Limited (see 8.3 below)	20,723	-
Jamaica Lottery Holdings Limited (see 8.3 below)	750	-
Big 'A' Track 2003 Limited	22,889	-
Prime Sports (Jamaica) Limited (see 8.4 below)	<u>1,173,169</u>	<u>658,729</u>
	<u>1,218,531</u>	<u>1,193,439</u>

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

8 INVESTMENT IN SUBSIDIARIES (Cont'd)

- 8.2 As a consequence of the arrangement with BGLC (see Note 1), the company acquired the controlling interest of Supreme Ventures Lotteries Limited (SVLL) (previously Supreme Ventures Holdings Limited) which was held by the major shareholders of the company.

The company has signed a guarantee for an amount of J\$500 million as required under the arrangements with BGLC. This requirement is based on the licence granted to promote and operate lottery games which states that the licensee is required to have an equity capitalization of not less than \$500 million.

- 8.3 On April 3, 2008, the company entered into a scheme of reconstruction and amalgamation of certain subsidiaries within the group.

Under the agreement, the company being the 100% beneficial shareholder of the issued capital in Jamaica Lottery Company Limited (JLC), amalgamated all the assets and liabilities of JLC with those of the company. JLC ceased operations and was put on members' voluntary liquidation. At balance sheet date the process of liquidation was not completed.

As part of the amalgamation of the assets of JLC, the company became the beneficial owner of the issued capital of Supreme Ventures Financial Services Limited and Jamaica Lottery Holdings Limited

- 8.4 Investment in Prime Sports (Jamaica) Limited

	\$'000
Balance at November 1, 2007	658,729
New ordinary shares	251,000
New 18% preference shares	<u>266,000</u>
	1,175,729
Less: Stamp duty on transfer	<u>(2,560)</u>
	<u>1,173,169</u>

On April 3, 2008 through the scheme of reconstruction and amalgamation as described in Note 1 and Note 8.3 above the company acquired in Prime Sports (Jamaica) Limited an additional 251,000,000 new ordinary shares at a value of \$251 million and 266,000,000, 18% preference shares at a value of \$266 million for a total additional equity investment of \$514.4 million after deduction of transfer taxes.

9 LONG-TERM RECEIVABLES

- 9.1 These include:

	<u>The Group</u>		<u>The Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
SGL BVI Limited (US\$4,225,600 (2007: US\$4,000,000 (see Note 9.2 below)	320,005	284,035	-	284,035
Prime Sports (Jamaica) Limited (see Note 9.3 below)	-	-	<u>558,664</u>	-
	<u>320,005</u>	<u>284,035</u>	<u>558,664</u>	<u>284,035</u>

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

9 LONG-TERM RECEIVABLES (Cont'd)

9.2 The amount in 2008 represents advance to SGL BVI Limited (SGL BVI), a company incorporated in the British Virgin Islands. SGL BVI is a subsidiary of Supreme Gaming Limited (SGL), a company incorporated under the laws of the State of Florida, USA. The advances are towards the development of gaming activities in the Caribbean and the Latin American region.

In 2007 the amounts were reflected as advances from the company to SGL based on the terms of an agreement dated November 1, 2006.

In accordance with an agreement effective October 10, 2008, the company sold all the rights, title and interest in the entire principal sum of the advances of US\$4.0 million and all accrued and unpaid interest thereon amounting to US\$225,600, to its wholly-owned subsidiary, Supreme Ventures Lotteries Limited (SVLL).

The advance is secured by a promissory note signed by SGL BVI and endorsed by SVLL for settlement of the outstanding balance at October 31, 2008. The outstanding balance at October 31, 2008, include the principal sum of US\$4.0 million and interest at a rate of 5.64% per annum for the period November 1, 2007 to October 31, 2008, capitalized in accordance with arrangements effective October 10, 2008.

The interest rate payable on the advances will be agreed at October 31 each year for the ensuing 12 months period beginning November 1. The rate agreed for the period November 1, 2008 to October 31, 2009 is at 4.79% per annum.

The settlement terms of the promissory note are as follows:

On October 31, 2009, the interest accrued at the agreed rate is to be capitalized.

During the three years from November 1, 2009, the principal sum will be repaid in twelve equal quarterly installments on the last day of January, April, July and October and the twelfth and final installment will be paid on October 31, 2012.

As of November 1, 2009, interest accruing on the reducing principal sum will be paid quarterly on the last day of January, April, July and October.

In addition to the arrangement detailed above between SGL BVI and the subsidiary, Supreme Ventures Lotteries Limited, the company has signed a franchise fee agreement. Under this agreement SGL BVI as the franchisee has the exclusive right to utilize the marks and names of Supreme Ventures Limited on its products in various existing and potential markets throughout Central, South American and the Caribbean regions. The fees payable to the company will be calculated based on agreed rates and revenue generated by SGL BVI.

9.3 Prime Sports (Jamaica) Limited

Under the scheme of reorganization and amalgamation detailed in Note 1 and Note 8.3 the company acquired two debentures issued by Jamaica Lottery Company Limited (JLC) to Prime Sports (Jamaica) Limited (PSJL) for JLC's beneficial interest in Coral Cliff Entertainment Limited and Village Square Entertainment Limited now amalgamated to PSJL.

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

9 **LONG-TERM RECEIVABLES (Cont'd)**

9.3 Prime Sports (Jamaica) Limited (Cont'd)

The debentures will each be for a term of twenty-one (21) years, payable by 20 interim annual installments of J\$250,000 each on March 31st of each year (commencing on March 31, 2009), and a final installment of the remaining unpaid balance of the principal sum on March 31, 2029.

The debentures will bear interest charged on the principal sum at a variable rate which is 1% below the weighted average yield on the Government of Jamaica 6 months Treasury Bills. Interest is to be paid in quarterly installments, commencing July 1, 2008.

10 **AVAILABLE-FOR-SALE INVESTMENTS**

These include:

	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Unquoted investments	<u>16,939</u>	<u>16,939</u>

These are stated at cost as there is no basis to assess the fair market value.

11 **INVESTMENT IN JOINT VENTURE**

This represents cost of acquisition of a share of Jonepar Development Limited, a joint venture. The joint venture owns a parcel of land in Montego Bay which is used as a parking facility for the customers of the Coral Cliff gaming lounge and the other venturer. The activities have been negligible since the acquisition date and as a result the investment is stated at original cost.

12 **DEFERRED TAXATION**

These comprise:

	<u>The Group</u>		<u>The Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	43,620	112,658	6,012	29,143
Less: Deferred tax liabilities	<u>(41,001)</u>	<u>(81,528)</u>	<u>(44,404)</u>	<u>(37,951)</u>
	<u>2,619</u>	<u>31,130</u>	<u>(38,392)</u>	<u>(8,808)</u>

SUPREME VENTURES LIMITED
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YEAR ENDED OCTOBER 31, 2008

12 **DEFERRED TAXATION (Cont'd)**

The movement of the net deferred tax position was as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Opening balance	31,130	23,886	(8,808)	(6,679)
Credited (charged) to equity	9,307	(4,267)	-	-
Credited (charged) to income for the year (Note 32)	<u>(37,818)</u>	<u>11,511</u>	<u>(29,584)</u>	<u>(2,129)</u>
Closing balance	<u>2,619</u>	<u>31,130</u>	<u>(38,392)</u>	<u>(8,808)</u>

The following are the major deferred tax assets and liabilities recognized during the year:

Deferred Tax Assets

The Group

	<u>Tax Losses</u>	<u>Vacation Leave Payable</u>	<u>Interest Payable</u>	<u>Unrealised Foreign Exchange Losses</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
At November 1, 2006	58,600	1,253	-	3,677	63,530
Credited (charged) to income for the year	<u>48,015</u>	<u>(30)</u>	<u>2,304</u>	<u>(1,161)</u>	<u>49,128</u>
At November 1, 2007	106,615	1,223	2,304	2,516	112,658
Credited (charged) to income for the year	<u>(69,364)</u>	<u>690</u>	<u>(2,304)</u>	<u>1,940</u>	<u>(69,038)</u>
At October 31, 2008	<u>37,251</u>	<u>1,913</u>	<u>-</u>	<u>4,456</u>	<u>43,620</u>

The directors and management are of the view that the deferred tax assets on tax losses are realizable based on projected future profitability of the subsidiary currently operating at a loss.

The Company

	<u>Tax Losses</u>	<u>Unrealised Foreign Exchange Loss</u>	<u>Vacation Leave Payable</u>	<u>Interest Payable</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
At November 1, 2006	-	-	920	-	920
Credited (charged) to income for the year	<u>26,316</u>	<u>-</u>	<u>(397)</u>	<u>2,304</u>	<u>28,223</u>
At November 31, 2007	26,316	-	523	2,304	29,143
Credited (charged) to income for the year	<u>(26,316)</u>	<u>5,620</u>	<u>(131)</u>	<u>(2,304)</u>	<u>(23,131)</u>
At October 31, 2008	<u>-</u>	<u>5,620</u>	<u>392</u>	<u>-</u>	<u>6,012</u>

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

12 **DEFERRED TAXATION (Cont'd)**

Deferred Tax Assets (Cont'd)

The directors and management are of the view that the deferred tax asset recognized on tax losses is realizable based on projected future profitability of the company and the subsidiaries that are currently reporting losses.

Deferred Tax Liabilities

The Group

	Capital Allowance in Excess of <u>Depreciation</u> \$'000	Finance <u>Lease</u> \$'000	Revaluation of <u>Property</u> \$'000	Interest <u>Receivable</u> \$'000	<u>Total</u> \$'000
At November 1, 2006 restated	34,469	-	5,040	135	39,644
Charged (credited) to income for the year	34,072	3,553	-	(8)	37,617
Charged to equity	-	-	4,267	-	4,267
At November 1, 2007	68,541	3,553	9,307	127	81,528
Charged (credited) to income for the year	(35,774)	4,644	-	(90)	(31,220)
Credited to equity	-	-	(9,307)	-	(9,307)
At October 31, 2008	<u>32,767</u>	<u>8,197</u>	<u>-</u>	<u>37</u>	<u>41,001</u>

The Company

	Capital Allowance in Excess of <u>Depreciation</u> \$'000	Unrealised Foreign Exchange <u>Gain</u> \$'000	Interest <u>Receivable</u> \$'000	<u>Total</u> \$'000
At November 1, 2006	7,469	-	130	7,599
Charged (credited) to income for the year	<u>28,206</u>	<u>2,149</u>	(3)	<u>30,352</u>
At November 1, 2007	35,674	2,149	128	37,951
Charged (credited) to income for the year	<u>8,693</u>	<u>(2,149)</u>	(91)	<u>6,453</u>
At October 31, 2008	<u>44,367</u>	<u>-</u>	<u>37</u>	<u>44,404</u>

Deferred tax liabilities have not been provided for taxes that would be payable on undistributed earnings of certain subsidiaries, to the extent that such earnings are expected to be invested. At the year end such undistributed earnings totalled \$1,158 million (2007: \$1,040 million).

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

13 **OTHER ASSETS**

These include tokens in the amount of \$18.1 million used in the gaming machines operated at the gaming lounges. The directors are of the view that the carrying value as reflected is equal to the net realisable value and no charge has been made to the profit and loss account.

14 **INVENTORIES**

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Pin codes	33,983	87,279	33,983	87,279
Food and beverage	14,903	7,118	-	-
Prize and gift items	-	1,836	-	-
Stationery and machine parts	-	867	-	-
	<u>48,886</u>	<u>97,100</u>	<u>33,983</u>	<u>87,279</u>

The cost of inventory recognized as an expense during the year was the Group \$998 million (2007: \$658 million), the company \$907 million (2007: \$625 million)

15 **TRADE AND OTHER RECEIVABLES**

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade receivables	222,890	136,736	-	-
Less: Allowances for irrecoverable debts	(45,035)	(35,737)	-	-
	177,855	100,999	-	-
Other receivables	<u>68,898</u>	<u>77,880</u>	<u>24,129</u>	<u>11,114</u>
	<u>246,753</u>	<u>178,879</u>	<u>24,129</u>	<u>11,114</u>

- (a) Trade receivables include amounts receivable from the agents that support the lottery sales. The average credit period of receivables is 7 days. Trade receivables outstanding for over 30 days are considered past due. Trade receivables outstanding for over 90 days has been provided for in full as historical experience indicate that receivables that are past due beyond this period are generally not recoverable.
- (b) Included in trade debtors is a carrying amount of \$4.9 million (2007: \$3.2 million) which are past due at the reporting date which the Group has not provided for as they have been renegotiated.

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

15 **TRADE AND OTHER RECEIVABLES (Cont'd)**

	<u>The Group</u>	
	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
(c) <u>Ageing of past due but not impaired</u>		
30 – 60 days	897	890
60 – 90 days	775	39
Over 90 days	<u>3,217</u>	<u>2,309</u>
	<u>4,889</u>	<u>3,238</u>
	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
(d) <u>Movement in allowance for impairment</u>		
Balance at beginning of year	35,737	27,066
Impairment losses recognized	<u>9,298</u>	<u>8,671</u>
Balance at end of year	<u>45,035</u>	<u>35,737</u>

In determining the recoverability of a receivable, the company considers any change in the credit quality of the receivable from the date the credit was granted up to the reporting date.

16 **DUE FROM (TO) RELATED PARTIES**

	<u>The Company</u>	
	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Prime Sports (Jamaica) Limited	435,628	261,402
Supreme Ventures Financial Services Limited	17,768	71,976
Jamaica Lottery Company Limited	-	307,002
Supreme Ventures Lotteries Limited	<u>(371,296)</u>	<u>(234,124)</u>
	<u>82,100</u>	<u>406,256</u>

17 **CASH AND BANK BALANCES**

The Group

Bank balances of the Group include interest bearing accounts of \$690.3 million (2007: \$551 million), including deposits held in foreign currency of US\$303,460 (2007: US\$643,000). Interest rate on J\$ deposits ranged from 5.0% to 11.5% (2007: 8.23% to 9.05%) and on US\$ deposits from 1.0% to 7.04% (2007: 6% to 6.75%).

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

17 **CASH AND BANK BALANCES (Cont'd)**

The Company

Bank balances of the company include interest bearing accounts of \$28.3 million (2007: \$35.7 million), including deposits held in foreign currency of US\$296,477 (2007: US\$283,471). Interest rate on the J\$ deposits ranges from 7.98% to 9.05% (2007: 8.23% to 9.05%) and US\$ deposits from 5.4% to 7.04% (2007: 6% to 6.75%).

18 **SHARE CAPITAL**

	<u>No of Shares</u>	
Authorised capital – ordinary stocks at no par value	<u>3,000,000,000</u>	
Issued capital – ordinary stocks	<u>2,637,254,926</u>	
	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Stated capital	<u>1,967,183</u>	<u>1,967,183</u>

19 **REVALUATION RESERVE**

The revaluation reserve represented gain on valuation of freehold land and buildings.

	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Balance at November 1	23,500	11,572
Gain on revaluation during the year	316,289	16,195
Deferred tax adjustment reversed on reorganization and amalgamation	<u>9,307</u>	<u>(4,267)</u>
	349,096	23,500
Transferred to capital reserve on reorganization and amalgamation	<u>(349,096)</u>	<u>-</u>
Balance at October 31	<u>-</u>	<u>23,500</u>

Resulting from reorganization and amalgamation as detailed in Note 1, the revaluation reserve has been transferred to capital reserve (see also Note 20).

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

20 **CAPITAL RESERVE**

This includes gains arising on the scheme of reorganization and amalgamation of subsidiaries with the Group as detailed in Note 1 to these financial statements. The reserve is stated net of costs, associated with the reorganization and amalgamation and capital distributions during the year.

	\$'000
Revaluation reserves of subsidiaries under liquidation	349,096
Revenue reserves of subsidiaries under liquidation	246,288
Associated costs	<u>(28,778)</u>
	566,606
Less: Capital distributions (see Note 38)	<u>(420,839)</u>
	<u>145,767</u>

21 **LONG-TERM LIABILITIES**

	The Group		The Company	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Telegens Inc. US\$ - (2007: US\$176,428) (Note 20(a))	-	12,558	-	-
GTECH Global Services Corporation Limited US\$3,091,184 (2007: US\$4,711,197) (Note 21 (b))	235,818	335,361	235,818	335,361
First Caribbean International Bank (Jamaica) Limited (Note 21 (c))				
Loan 1 – US\$781,093 (2007: US\$1,040,702)	58,727	74,077	-	-
Loan 2 – US\$44,782 (2007: US\$114,110)	3,367	8,123	-	-
Obligation under finance lease US\$1,369,393 (2007: US\$1,619,564) (Note 21 (d))	<u>102,957</u>	<u>114,851</u>	<u>-</u>	<u>-</u>
	<u>400,869</u>	<u>544,970</u>	<u>235,818</u>	<u>335,361</u>

	The Group		The Company	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
These loans are repayable as follows:				
Within one year	133,066	169,193	87,404	115,377
In the second to fifth year inclusive	<u>267,803</u>	<u>375,777</u>	<u>148,414</u>	<u>219,984</u>
	<u>400,869</u>	<u>544,970</u>	<u>235,818</u>	<u>335,361</u>
Included in the balance sheet as:				
Current liabilities	<u>133,066</u>	<u>169,193</u>	<u>87,404</u>	<u>115,377</u>
Long-term liabilities	<u>267,803</u>	<u>375,777</u>	<u>148,414</u>	<u>219,984</u>

- (a) The loan which was denominated in United States dollars is repayable in 60 equal monthly installments by April 2008 and attracted interest at a fixed rate of 7% on the reducing balance basis. The loan was repaid in full during the current year.

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

21 **LONG-TERM LIABILITIES (Cont'd)**

- (b) An agreement was signed between the company and GTECH Global Services Corporation Limited for the acquisition of certain Video Lottery Terminal (VLT) equipment for US\$5.136 million to be settled in forty eight (48) equal installments of US\$107,000. Using the discounted cash flows techniques with an imputed interest rate of 5.38% per annum, the fair value of the loan at the inception was estimated at US\$4.18 million.

	<u>2008</u> \$'000	<u>2007</u> \$'000
Loan obligation		
Due and unpaid	-	38,084
Within one year	97,953	91,400
In the second to fifth year inclusive	<u>155,092</u>	<u>236,117</u>
	253,045	365,601
Less: Future finance charges	<u>(17,227)</u>	<u>(30,240)</u>
	<u>235,818</u>	<u>335,361</u>

The loan is secured over the VLT equipment purchased under the agreement.

- (c) The loans are repayable in monthly installments of US\$31,290 and US\$6,645 respectively, at interest rate of base lending rate plus 1.5% per annum. Interest rate at year end was 12.5% (2007: 12.5%) per annum.

Other principal features of the loans are:

- (i) The loans are repayable by 2011 and 2009 respectively.
- (ii) The loans as well as an overdraft facility of \$3 million are secured by the following:
- (a) First demand guarantee mortgage on the property of Prime Sports (Jamaica) Limited stamped to cover US\$1,901,000 and with powers to upstamp.
 - (b) Debentures over the fixed and floating charge over the assets of Prime Sports (Jamaica) Limited.
 - (c) Acknowledged assignment of Prime Sports (Jamaica) Limited's fire and peril insurance.
 - (d) Unlimited corporate guarantee of Prime Sports (Jamaica) Limited.
 - (e) Hypothecation of the shares of Prime Sports (Jamaica) Limited.
 - (f) Assignment of the rental agreement with Prime Sports (Jamaica) Limited.
- (d) Obligation under finance lease

Finance lease relates to the leasing of the building to house the May Pen Gaming Lounge with a lease term of five (5) years. The lease arrangement has an option to purchase the building for a nominal amount at the conclusion of the lease agreement. The directors have opted to purchase the building.

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

21 **LONG-TERM LIABILITIES (Cont'd)**

(d) Obligation under finance lease (Cont'd)

	Minimum lease payment		Present value of minimum lease payment	
	31/10/08	31/12/07	31/10/08	31/12/07
	\$'000	\$'000	\$'000	\$'000
Amounts payable under finance lease:				
Within one year	26,721	25,202	20,061	17,741
In the second to fifth year inclusive	<u>92,419</u>	<u>112,373</u>	<u>82,896</u>	<u>97,110</u>
	119,140	137,575	102,957	114,851
Less: Future finance charges	(16,183)	(22,724)	-	-
Present value of lease obligation				
US\$1,369,393 (2007: US\$1,619,564)	<u>102,957</u>	<u>114,851</u>	<u>102,957</u>	<u>114,851</u>

22 **TRADE AND OTHER PAYABLES**

	The Group		The Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Trade payables	76,413	57,149	-	-
Service contractor fees	149,530	157,283	4,601	1,114
Contributions payable to CHASE Fund	54,414	51,413	-	-
Contributions payable to Betting, Gaming and Lotteries Commission	11,975	11,583	-	-
Lottery taxes payable	21,057	29,292	-	-
Withholding taxes payable	87,388	88,689	86,967	86,967
Other payables and accruals	<u>195,394</u>	<u>202,885</u>	<u>122,118</u>	<u>122,537</u>
	<u>596,171</u>	<u>598,294</u>	<u>213,686</u>	<u>210,618</u>

23 **REVENUE**

Analysis of the revenue is as follows:

	The Group		The Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Cash Pot	15,192,272	13,642,952	-	2,121,271
Lucky 5	553,350	468,499	-	78,641
Dollaz	273,349	251,638	-	41,439
Lotto	1,104,321	1,325,831	-	186,699
Pick 3	1,375,107	1,079,279	-	170,135
Instant	100,486	141,360	-	25,321
Daily Bingo (commenced in May 2008)	17,892	-	-	-
Prime Time Bingo (commenced in October 2007)	<u>150,217</u>	<u>23,083</u>	-	-
Balance c/f	18,766,994	16,932,642	-	2,623,506

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

23 **REVENUE (Cont'd)**

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Balance b/f	18,766,994	16,932,642	-	2,623,506
Unclaimed prizes	117,685	91,101	-	8,009
Gaming revenue (net wins)	978,917	803,401	-	-
Hospitality and related revenue	169,265	140,697	-	-
Management fees	-	-	180,000	100,000
Royalties	-	-	73,298	-
Money Gram remittance service	68,749	57,742	-	-
Foreign exchange trading	61,961	66,918	-	-
Pin codes	955,893	783,994	955,894	783,994
Others	84,980	70,418	67,506	36,071
	<u>21,204,444</u>	<u>18,946,913</u>	<u>1,276,698</u>	<u>3,551,580</u>

24 **SEGMENT REPORTING**

The Group is organized into four main business segments.

- (a) Lottery - Lottery games, operated through the agents' network.
- (b) Gaming and hospitality - Video Lottery Terminal (VLT) games offered at gaming lounges and room, restaurant and related guest services at these gaming lounges.
- (c) Financial services - Foreign exchange dealer services and Money Gram remittance services.
- (d) Pin codes and other - Sale of pin codes through the agents' network, agents' service fees, agents' reconnection fees and all other income.

The Group's operations are located solely in Jamaica.

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

24 **SEGMENT REPORTING (Cont'd)**

	2008					Group \$'000
	Lottery \$'000	Gaming and Hospitality \$'000	Financial Services \$'000	Pin Codes and Other \$'000	Eliminations \$'000	
External revenue	18,884,679	1,148,182	130,710	1,040,873	-	21,204,444
Inter-segment revenue	-	73,119	-	229,402	(302,521)	-
Total revenue	<u>18,884,679</u>	<u>1,221,301</u>	<u>130,710</u>	<u>1,270,275</u>	<u>(302,521)</u>	<u>21,204,444</u>
Result						
Segment result	1,111,661	(181,564)	19,481	106,123		1,055,701
Interest income						84,554
Finance cost						(32,422)
Profit before taxation						1,107,833
Taxation						(461,844)
Profit for the year						<u>645,989</u>
Other information						
Capital additions	49,609	105,393	4,961	-		159,963
Depreciation and amortization	42,048	132,649	724	-		175,421
Balance sheet						
Assets						
Segment assets	3,243,766	3,287,214	119,763	-	(2,355,156)	<u>4,295,587</u>
Consolidated total assets						<u>4,295,587</u>
Liabilities						
Segment liabilities	1,856,249	1,022,602	21,621	-	(1,550,958)	<u>1,349,514</u>
Consolidated total liabilities						<u>1,349,514</u>

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

24 **SEGMENT REPORTING (Cont'd)**

	2007					Group \$'000
	<u>Lottery</u> \$'000	<u>Gaming and Hospitality</u> \$'000	<u>Financial Services</u> \$'000	<u>Pin Codes and Other</u> \$'000	<u>Eliminations</u> \$'000	
External revenue	17,023,743	944,098	124,660	854,412	-	18,946,913
Inter-segment revenue	<u>-</u>	<u>18,661</u>	<u>-</u>	<u>232,700</u>	<u>(251,361)</u>	<u>-</u>
Total revenue	<u>17,023,743</u>	<u>962,759</u>	<u>124,660</u>	<u>1,087,112</u>	<u>(251,361)</u>	<u>18,946,913</u>
Result						
Segment result	449,052	36,867	24,993	93,841	-	604,753
Interest income						46,956
Finance cost						(20,478)
Profit before taxation						631,231
Taxation						(225,831)
Profit for the year						<u>405,400</u>
Other information						
Capital additions	19,790	610,121	426	-	-	630,337
Depreciation and amortization	38,285	82,609	733	-	-	121,627
Balance sheet						
Assets						
Segment assets	2,645,468	3,071,751	108,926	-	(1,940,941)	<u>3,885,204</u>
Consolidated total assets						<u>3,885,204</u>
Liabilities						
Segment liabilities	1,178,878	1,038,669	46,284	-	(802,732)	<u>1,461,099</u>
Consolidated total liabilities						<u>1,461,099</u>

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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25 **DIRECT EXPENSES**

(a) Analysis of direct expenses is as follows:

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Lottery prizes	12,774,672	12,246,275	-	1,954,069
Service contractor fees	1,130,837	1,222,234	-	239,657
Agents' commissions	929,444	836,031	-	130,495
Good cause fees	887,246	691,272	-	98,547
Lottery tax	1,132,268	914,929	-	120,455
Contributions to BGLC	214,084	190,680	-	26,248
Gaming lounge charges	71,974	33,267	-	-
Direct expense – hospitality and related services	107,374	64,058	-	-
Franchise fee	-	-	-	4,452
Pin codes	853,749	694,056	853,749	694,056
Commissions – pin codes (cost)	78,352	66,515	78,351	66,515
Commissions – Money Gram (cost)	25,432	22,789	-	-
Others	<u>1,682</u>	<u>4,202</u>	<u>-</u>	<u>-</u>
	<u>18,207,114</u>	<u>16,986,308</u>	<u>932,100</u>	<u>3,334,494</u>

(b) Lottery prizes

- (i) Cash Pot – All prizes are fixed. The prize won for correctly matching the winning number is \$26 for each \$1 wagered.
- (ii) Lucky 5 – Prizes for this game is based on the predetermined prize structure. The prize payout is at least 50.93% of the total wagers of each game.
- (iii) Dollaz! – Prizes for this game are fixed based on each \$10 per play per spot. The prize paid will depend on how much of the winning numbers are correctly matched.
- (iv) Lotto/ Prime Time and Daily Bingo – Prizes are based on the actual winning combination of numbers for each draw with the amount allocated to prizes being a predetermined percentage of actual sales.
- (v) Pick 3 – Prizes are computed based on the actual winning combination of numbers for each draw.
- (vi) Instant – Prizes are accrued as an estimate based on a predetermined prize structure for each game.

(c) Service contractor fees

GTECH Corporation (GTECH) has been contracted for the provision of technical and marketing services for lottery gaming activities. GTECH whose primary business is providing online lottery systems, terminals, networks and services to the lottery industry provide these services to operate the lotteries. GTECH receives a service fee calculated using an agreed fee structure based on weekly gross sales.

SUPREME VENTURES LIMITED
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YEAR ENDED OCTOBER 31, 2008

25 **DIRECT EXPENSES (Cont'd)**

(c) Service contractor fees (Cont'd)

GTECH has also been contracted to provide electronic gaming services for VLT gaming activities at a fee calculated using an agreed percentage of meter net wins after taxes. However, this contract was terminated as of May 31, 2007.

(d) Agents' commission

The agents who sell on-line tickets for the lottery games receive a commission on ticket sales.

(e) Good cause fees

Under the terms of the lottery operations licence (Note 1), contributions are made to the Culture, Health, Arts, Sports and Education (CHASE) Fund computed as follows:

Cash Pot	-	15% of net ticket sales after prizes
Lucky 5	-	7.5% of gross ticket sales
Dollaz!	-	7.5% of gross ticket sales
Lotto, Instant Ticket and Prime Time Bingo	-	7.5% gross ticket sales
Pick 3 and Daily Bingo	-	4.17% of gross ticket sales

In addition to the above contributions, 50% of unclaimed prizes are also paid over to the same fund.

(f) Lottery tax

In accordance with Section 13 of the Betting, Gaming and Lotteries (Amendment) Act 2000, 17% of weekly net revenues is paid as lottery tax to the Government of Jamaica for Lucky 5, Cash Pot, Daily Bingo, Pick 3 and 23% of weekly gross revenues is paid for Dollaz!. The tax for lotto is computed as 23% of lotto sales net of prizes. In relation to VLT gaming activities, a gross profit tax is paid to the Government of Jamaica calculated at 7.5% of meter net wins on a monthly basis.

(g) Contributions to Betting, Gaming and Lotteries Commission

In accordance with conditions attached to the licence granted by BGLC 1% of gross ticket sales are paid to BGLC as contribution. Also in accordance with amended regulations 2.5% of meter net wins is paid to BGLC in relations to VLT gaming activities.

(h) Gaming lounge charges

These charges include payments under contractual arrangements with hotels that operate gaming lounges.

(i) Pin codes

This represents the amounts paid to mobile service providers for the purchase of pin codes, adjusted for inventory movements.

(j) Commission – pin codes cost

The agents of the company who sell on-line pin codes and phone cards receive a commission on sales.

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26 **OPERATING EXPENSES**

	The Group		The Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Staff costs (Note 27)	585,024	432,266	99,757	113,421
Rental and utilities	175,460	105,466	1,031	7,816
Marketing and business development	330,264	187,731	17,812	23,363
Professional fees	69,399	49,866	19,443	29,447
Draw expenses	94,051	67,443	-	8,502
Security	66,833	42,810	2,679	5,284
GCT irrecoverable	61,912	61,097	-	401
Licences and other fees	16,318	13,538	-	2,000
Depreciation and amortization charges	175,421	121,627	57,909	27,609
Bank charges	24,370	22,380	334	2,190
Others	<u>342,577</u>	<u>227,013</u>	<u>33,813</u>	<u>23,214</u>
	<u>1,941,629</u>	<u>1,331,237</u>	<u>232,778</u>	<u>243,247</u>

27 **STAFF COSTS**

	The Group		The Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Salaries and other employee benefits	537,185	394,192	92,486	104,626
Statutory contributions	43,611	34,016	6,984	7,726
Pension contributions	<u>4,228</u>	<u>4,058</u>	<u>287</u>	<u>1,069</u>
	<u>585,024</u>	<u>432,266</u>	<u>99,757</u>	<u>113,421</u>

28 **OTHER GAINS AND LOSSES**

Other gains and losses in 2007 represent the write-off of certain amounts included in other receivables and prepayments.

29 **FINANCE COSTS**

	The Group		The Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Interest on bank overdraft and long-term loans	32,422	20,478	14,368	6,911
Interest on obligations under finance lease	<u>13,107</u>	<u>5,389</u>	-	-
Total interest expense	45,529	25,867	14,368	6,911
Less: Amount included in the cost of qualifying assets	<u>(13,107)</u>	<u>(5,389)</u>	-	-
	<u>32,422</u>	<u>20,478</u>	<u>14,368</u>	<u>6,911</u>

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30 PROFIT BEFORE TAXATION

The profit before taxation is stated after taking account of the following items:

	<u>The Group</u>		<u>The Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Income				
Interest	84,554	46,956	67,704	28,636
Expenses				
Directors' emoluments:				
Fees	14,214	3,403	14,218	3,403
Management remuneration	71,223	74,915	71,223	74,915
Audit fees	13,600	11,605	4,200	2,350
Depreciation of property and equipment	173,601	120,143	56,772	26,518
Amortisation of intangible assets	1,820	1,484	1,137	1,091
Finance costs – interest on long-term loans	32,422	20,478	14,368	6,911

31 TRANSACTIONS WITH RELATED PARTIES

Compensation of key management personnel

The remuneration of directors and other members of the key management during the year was as follows:

	<u>The Group and the Company</u>	
	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Short-term benefits	71,223	74,915
Post employment benefits	<u>242</u>	<u>928</u>
	<u>71,465</u>	<u>75,843</u>
Professional fees paid to directors	<u>25,745</u>	<u>9,658</u>

32 TAXATION

(a) The total charge for the year includes:

	<u>The Group</u>		<u>The Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Current tax charge:				
Income tax at 33 $\frac{1}{3}$ % of taxable profits	424,026	237,342	33,115	-
Deferred tax adjustment (Note 12)	<u>37,818</u>	<u>(11,511)</u>	<u>29,584</u>	<u>2,129</u>
	<u>461,844</u>	<u>225,831</u>	<u>62,699</u>	<u>2,129</u>

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2008

32 **TAXATION (Cont'd)**

(b) The charge is reconciled to the profit as per the profit and loss account as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Profit before taxation	<u>1,107,833</u>	<u>631,231</u>	<u>165,156</u>	<u>(29,051)</u>
Tax at the domestic income tax rate of 33½%	369,278	210,410	55,052	(9,684)
Tax effect of expenses disallowed for tax purposes	18,631	20,850	7,710	10,688
Net deferred tax asset not recognized (see (d) below)	71,986	-	-	-
Tax effect on non taxable income	(2,014)	(7,151)	-	(313)
Other	<u>3,963</u>	<u>1,722</u>	<u>(63)</u>	<u>1,438</u>
	<u>461,844</u>	<u>225,831</u>	<u>62,699</u>	<u>2,129</u>

(c) Tax losses of sub-subsidiaries amounting to approximately \$477 million (subject to agreement with Commissioner, Taxpayer Audit and Assessment Department) are available for set-off against future taxable profits of the subsidiaries.

(d) Net deferred tax asset not recognized represents the effect of the curtailment of deferred tax assets of a subsidiary currently operating at a loss.

(e) A subsidiary of the Group, Coral Cliff Entertainment Limited which had received approval under the Hotel (Incentive) Act 1968, was amalgamated under the scheme of arrangement disclosed in Note 1 into another wholly-owned subsidiary. As a result the benefits of tax relief has been lost to the Group.

33 **NET PROFIT**

Dealt with in the financial statements of:

	<u>2008</u>	<u>2007</u>
	<u>\$'000</u>	<u>\$'000</u>
The company	102,457	(31,180)
The subsidiaries	<u>543,532</u>	<u>436,580</u>
	<u>645,989</u>	<u>405,400</u>

34 **RETAINED EARNINGS**

This is reflected in the financial statements of:

	<u>2008</u>	<u>2007</u>
	<u>\$'000</u>	<u>\$'000</u>
The company	(2,025)	(104,482)
The subsidiaries	<u>835,148</u>	<u>537,904</u>
	<u>833,123</u>	<u>433,422</u>

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35 **EARNINGS PER STOCK**

Basic earnings per stock unit is calculated by dividing the net profit attributable to shareholders, by the weighted average number of ordinary stock units in issue during the year.

	<u>2008</u>	<u>2007</u>
Net profit attributable to shareholders ('000)	645,989	405,400
Weighted average number of ordinary stock units in issue ('000)	2,637,254	2,637,254
Basic earnings per stock unit	0.24 Cents	0.15 Cents

Diluted earnings per stock unit is the same as basic earnings per stock unit as there were no dilutive potential ordinary stocks.

36 **RETIREMENT BENEFIT PLAN**

The Group operates a defined contribution retirement benefit plan for all qualifying employees. The assets of the scheme are held separately from those of the group in funds under the control of trustees and administered by an insurance company. Basic contributions are 5% of taxable earnings, made by the employees and 5% by the employer. The employees may make additional contributions of 5% of their taxable earnings to provide for additional pension benefits.

The Group's and the company's contributions are disclosed in Note 26 on staff costs.

37 **OPERATING LEASE ARRANGEMENTS**

The Group has entered into agreements for the lease of office spaces and apartments. The annual rentals are payable in monthly installments.

Minimum lease rental commitments are as follows:

	<u>The Group</u>
	\$'000
Within 1 year	42,113
Year 2 and 3	44,090

	<u>The Group</u>		<u>The Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Minimum lease payment under operating lease recognized as an expense in the year	<u>37,108</u>	<u>29,681</u>	<u>-</u>	<u>4,514</u>

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38 CAPITAL DISTRIBUTIONS

The company paid dividends twice during the year by way of capital distributions in July and October 2008 at 6 cents and 9 cents respectively to all shareholders on record at June 30, 2008.

Total shares in issue		<u>2,637,454,926</u>
		\$'000
Dividends declared		420,838
Transfer tax paid		<u>25,250</u>
Net dividends paid		<u>395,588</u>

39 CONTINGENCIES AND COMMITMENTS

(a) Contingencies – litigations

- (I) Subsequent to balance sheet date, on December 15, 2008 a civil suit has been filed by Epsilon Global Equities Limited (Epsilon) citing defendants that include the founding shareholders of the company and the company Supreme Ventures Limited. The suit relates to agreements with Epsilon for the forward sale of shares of the company by the founding shareholders signed prior to the private placement in July 2005 and the initial public offering in January 2006. At the time of the private placement in July 2005 the company had certain outstanding borrowing obligations to entities related to Epsilon all of which were settled by October 31, 2005 out of the funds raised through the private placement.

The company is in the process of seeking legal advice on the matter and based on the preliminary assessments by the Attorney representing the company, the directors are of the view that there will be no financial implications to the company arising from this case.

- (II) Claims estimated to total approximately \$1.5 million have been made against the subsidiary Jamaica Lottery Company Limited before the amalgamation. The outcome of these claims is currently indeterminable, therefore no provision has been made in these financial statements.

(b) Contingencies – Guarantee

Pursuant to the Articles of Incorporation of the company and a resolution of the directors, the company has issued a duly executed and stamped deed of debenture and a duly executed guarantee to Betting, Gaming and Lotteries Commission (BGLC). The company and BGLC have agreed that, within the secured debenture and the guarantee constitute compliance by the subsidiary, Supreme Ventures Lotteries Limited (SVLL), with the requirements of the licence granted by BGLC that, the equity capitalization of SVLL be not less than \$500 million, and SVLL will accordingly be treated as having \$500 million of shareholders' equity (issued capital of SVLL is \$1.0 million) for the purpose of the condition of the BGLC licence that refer to shareholders' equity (see also Note 1). Accordingly, BGLC will hold the company responsible and liable for any breaches of the licence by the subsidiary, SVLL.

(c) Commitment – Licence fees to Betting, Gaming and Lotteries Commission (BGLC)

In accordance with conditions attached to the licences granted by BGLC, an annual licence fee of \$16.0 million falls due for payment each year.

SUPREME VENTURES LIMITED
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YEAR ENDED OCTOBER 31, 2008

39 **CONTINGENCIES AND COMMITMENTS (cont'd)**

(d) Commitments – capital

Capital commitments of the subsidiary, Prime Sports (Jamaica) Limited in connection with improvements being carried out at the Montego Bay location at October 31, 2008 amounted to \$3.6 million (2007: \$48.9 million in connection with the setting up of the gaming lounge in May Pen).

(e) Commitments – other

Commitments in respect of sponsorship agreements are as follows:

<u>Year</u>	\$'000
2009	45,400

40 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT**

40.1 Significant accounting policies

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial assets, financial liabilities and equity instruments are disclosed in Note 3 to the financial statements.

40.2 Categories of financial instruments

	<u>The Group</u>		<u>The Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Loans and other receivables (including cash and cash equivalents)	1,458,523	1,274,278	745,939	768,390
Available-for-sale investments	<u>16,939</u>	<u>16,939</u>	<u>16,939</u>	<u>16,939</u>
	<u>1,475,462</u>	<u>1,291,217</u>	<u>762,878</u>	<u>785,329</u>
Financial liabilities				
Other financial liabilities at amortized cost	<u>1,105,284</u>	<u>1,288,769</u>	<u>449,504</u>	<u>545,979</u>

40.3 Financial risk management objectives

The Group's activities expose it to a variety of financial risk and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the business and the operational risks are an inevitable consequence of being in business. The group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the group's financial performance.

The Group's risk management policies are designed to identify and analyze 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 Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

SUPREME VENTURES LIMITED
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40 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

40.3 Financial risk management objectives (Cont'd)

The Group's activities result in principal exposure to credit, liquidity, market and operational risks. An enterprise-wide risk management approach is adopted which involves employees at all levels. This framework is supported by sound risk management practices which include the establishment of enterprise-wide policies, procedures and limits, monitoring and measurement of exposure against established limits, ongoing realignment of business strategies and activities and the reporting of significant exposures to senior management and the Board of Directors.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board's risk management mandate is principally carried out through the Audit Committee.

Audit Committee

The Audit Committee has oversight for the integrity of the financial statements and reviews the adequacy and effectiveness of internal controls and risk management procedures. The Committee also ensures compliance with internal, legal and regulatory policies, identifying, monitoring, measuring and reporting significant risk exposure and making recommendations in relation to management of risk.

This Board Committee also has direct responsibility for the management of balance sheet risk which includes liquidity, interest rates and foreign currency risks.

40.4 Credit risk management

40.4.1 Credit risk

The Group is exposed to credit risk, which is the risk that its customers or counterparties may accumulate and could cause a financial loss for the group by failure to discharge their contractual obligations. Credit risk is an important risk for the Group's business and management therefore carefully monitors its exposure to credit risk. Credit exposure for the Group arises mainly in lottery sales activities. The Group structures the level of credit risk it undertakes by maintaining a strict collection process. Lottery sale Agents are required to make payment within a maximum of seven (7) business days after sales made on behalf of the Licensed Company.

40.4.2 Credit review process

The Group's credit risk is managed through a framework which incorporates the following:

Trade Receivables

- i. The Group establishes policies and procedures which govern standards for granting credit and the process of continuous monitoring and measurement in relation to credit quality through industry delinquency and debt recovery management.
- ii. Trade Receivables are carefully monitored and managed by the Finance Department and in collaboration with the Field Area Management team, who has responsibility for liaising with the Lottery Agents on behalf of the licensed company.

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NOTES TO THE FINANCIAL STATEMENTS

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40 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)**

40.4.3 Impairment

The Finance Department - conducts monthly and quarterly assessment of the Trade Receivable balances to determine whether there is a requirement for provision due to impairment.

40.5 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities.

40.5.1 Management of liquidity risk

The Board of Directors approves the group's liquidity and funding management policies and established limits to control risk.

The Group's Finance Department has direct responsibility for the management of the day-to-day liquidity. The Audit Committee provides senior management oversight of the group's liquidity risk exposure, within the policy and limit frameworks established by the Board.

The management of liquidity risk is carried out through various methods which include:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow within the local and international markets.
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements.
- Maintenance of liquidity and funding contingency plans.

40.5.2 Liquidity and interest rate tables

The following table details the Group's and the company's contractual maturity for its non-derivative financial assets and financial liabilities. The tables have been drawn up based on undiscounted contractual maturities of financial assets including interest that will be earned on those except where the Group and the company anticipates that the cash flows will occur in a different period, and in the case of financial liabilities, based on the earliest date on which the Group and the company can be required to pay.

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40 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)**

40.5 Liquidity risk (Cont'd)

40.5.2 Liquidity and interest rate tables (Cont'd)

		The Group					
		Weighted average effective interest rate	Within 3 Months \$'000	3 months to 1 year \$'000	1 to 5 Years \$'000	Over 5 years \$'000	Total \$'000
		%					
<u>2008</u>							
Financial assets							
	Non-interest bearing		427,550	-	16,939	-	444,489
	Variable interest rate instruments	5.64	4,526	13,578	463,407	-	481,511
	Fixed interest rate instruments	8.10	<u>47,506</u>	<u>723,524</u>	-	-	<u>771,030</u>
			<u>479,582</u>	<u>737,102</u>	<u>480,346</u>	-	<u>1,697,030</u>
Financial liabilities							
	Non-interest bearing		703,520	-	-	-	703,520
	Interest bearing loan fixed	5.37	31,168	93,505	247,512	-	372,185
	Interest bearing loans variable rate	12.50	<u>8,557</u>	<u>23,172</u>	<u>68,342</u>	-	<u>100,071</u>
			<u>743,245</u>	<u>116,677</u>	<u>315,854</u>	-	<u>1,175,776</u>
<u>2007</u>							
Financial assets							
	Non-interest bearing		425,008	-	16,939	-	441,947
	Variable interest rate instruments	5.10	3,572	10,914	306,920	-	321,406
	Fixed interest rate instruments	10.94	<u>55,418</u>	<u>571,717</u>	-	-	<u>627,135</u>
			<u>483,998</u>	<u>582,631</u>	<u>323,859</u>	-	<u>1,390,488</u>
Financial liabilities							
	Non-interest bearing		743,799	-	-	-	743,799
	Interest bearing loan	5.96	73,293	92,933	349,623	-	515,849
	Interest bearing loans variable rate	12.50	<u>7,280</u>	<u>21,540</u>	<u>95,695</u>	-	<u>124,515</u>
			<u>824,372</u>	<u>114,473</u>	<u>445,318</u>	-	<u>1,384,163</u>

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40 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)**

40.5 Liquidity risk (Cont'd)

40.5.2 Liquidity and interest rate tables (Cont'd)

The Company						
	Weighted average effective interest rate %	1 to 3 Months \$'000	3 months to 1 year \$'000	1 to 5 Years \$'000	Over 5 years \$'000	Total \$'000
<u>2008</u>						
Financial assets						
Non-interest bearing		72,246	-	99,039	-	171,285
Variable interest rate instruments	14.35	20,024	60,572	321,669	1,664,960	2,067,225
Fixed interest rate instruments	6.36	<u>27,048</u>	<u>6,308</u>	<u>-</u>	<u>-</u>	<u>33,356</u>
		<u>119,318</u>	<u>66,880</u>	<u>420,708</u>	<u>1,664,960</u>	<u>2,271,866</u>
Financial liabilities						
Non-interest bearing		213,686	-	-	-	213,686
Interest bearing loan fixed	5.38	<u>24,488</u>	<u>73,465</u>	<u>155,092</u>	<u>-</u>	<u>253,045</u>
		<u>238,174</u>	<u>73,465</u>	<u>155,092</u>	<u>-</u>	<u>466,731</u>
<u>2007</u>						
Financial assets						
Non-interest bearing		40,185	-	423,195	-	463,380
Variable interest rate instruments	5.10	3,572	10,914	306,920	-	321,406
Fixed interest rate instruments	6.95	<u>38,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,458</u>
		<u>82,215</u>	<u>10,914</u>	<u>730,115</u>	<u>-</u>	<u>823,244</u>
Financial liabilities						
Non-interest bearing		210,618	-	-	-	210,618
Interest bearing loan variable rate	5.38	<u>60,934</u>	<u>68,550</u>	<u>236,117</u>	<u>-</u>	<u>365,601</u>
		<u>271,552</u>	<u>68,550</u>	<u>236,117</u>	<u>-</u>	<u>576,219</u>

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40 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)**

40.6 Market risk

The Group takes on exposure to market risk, 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 exchange rates and interest rates.

The Board and management have responsibility for the monitoring of market risk exposures by way of measurements through sensitivity analysis. Market information and additional analysis are also used to manage risk exposure and mitigate the limitation of sensitivity analysis.

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

40.6.1 Foreign currency risk

Foreign currency risk is the risk of loss arising from adverse movements in foreign exchange rates.

The Group is exposed to foreign currency risk as a result of transactions that are denominated in a currency other than the Jamaican dollar. The main currencies giving rise to the exposure is the United States Dollar, Canadian Dollar, the British Pound, the Cayman dollar and the Euro. The Group manages foreign currency risk through the establishment of limits for net open positions and matching foreign assets and liabilities as far as possible.

Foreign currency risk management

The Group manages its foreign currency risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency position. The Group further manages this risk by holding foreign currency balances.

The following table summarizes the Group's exposure to foreign currency exchange rate risk:

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40 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)**

40.6 Market risk (Cont'd)

40.6.1 Foreign currency risk (Cont'd)

	The Group									
	2008									
	USD		CDN		GBP		EUR		KYD	
US\$	J\$	Cdn\$	J\$	£	J\$	€	J\$	Kyd\$	J\$	
'000	Equiv. '000	'000	Equiv. '000	'000	Equiv. '000	'000	Equiv. '000	'000	Equiv. '000	
Total assets	5,181	393,252	13	785	37	4,460	0.07	9	0.18	16
Total liabilities	(5,552)	(421,147)	-	-	-	-	-	-	-	-
Net exposure	(<u>371</u>)	(<u>27,859</u>)	<u>13</u>	<u>785</u>	<u>37</u>	<u>4,460</u>	<u>0.07</u>	<u>9</u>	<u>0.18</u>	<u>16</u>
	2007									
	USD		CDN		GBP		EUR		KYD	
	US\$	J\$	Cdn\$	J\$	£	J\$	€	J\$	Kyd\$	J\$
	'000	Equiv. '000	'000	Equiv. '000	'000	Equiv. '000	'000	Equiv. '000	'000	Equiv. '000
Total assets	5,038	357,548	9	680	15	2,255	0.02	20	1	87
Total liabilities	(8,126)	(578,494)	-	-	-	-	-	-	-	-
Net exposure	(<u>3,088</u>)	(<u>220,946</u>)	<u>9</u>	<u>680</u>	<u>15</u>	<u>2,255</u>	<u>0.02</u>	<u>20</u>	<u>1</u>	<u>87</u>

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40 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)**

40.6 Market risk (Cont'd)

40.6.1 Foreign currency risk (Cont'd)

	The Company			
	2008		2007	
	USD	J\$	USD	J\$
	US\$ '000	Equiv. '000	US\$ '000	Equiv. '000
Total assets	347	26,359	4,308	305,913
Total liabilities	(3,317)	(253,045)	(5,136)	(365,601)
Net exposure	(2,970)	(226,686)	(828)	(59,688)

40.6.2 Foreign currency sensitivity

The following table indicates the currencies to which the Group had significant exposure on its monetary assets and liabilities and the effect on net profit arising from changes in exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. 5% is the sensitivity rate used when reporting foreign currency risk internally to the Board and the relevant committees of the Board and represents management's assessment of the reasonably possible change in foreign exchange rates. Sensitivity was primarily as a result of foreign exchange gains and losses on translation of long-term receivables, long-term liabilities and cash and bank balances. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Currency:				
USD	(1,393)	(11,047)	(11,334)	(2,984)
CDN	39	34	-	-
GBP	223	113	-	-
EURO	1	1	-	-
KYD	1	4	-	-
	(1,129)	(10,895)	(11,334)	(2,984)

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40 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)**

40.6 Market risk (Cont'd)

40.6.3 Interest rate risk

Interest rate risk is the risk of loss due to adverse changes in interest rates. The risk of loss may arise from a decline in the market value of financial assets due to interest rate increases. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Mismatch of positions between assets and liabilities in periods of rising or declining interest rates may also result in loss of earnings. Management sets limits on the level of mismatch of interest rate repricing that may be undertaken. This is monitored on a periodic basis.

Management of interest rate risk

Interest rate risk exposure is measured using sensitivity analysis. Interest rate risk is managed by utilizing derivative instruments where necessary and maintaining an appropriate mix of variable and fixed rate instruments

The Group's and the company's exposure to interest rates on financial asset and financial liabilities are detailed in liquidity risk management (Note 40.5.2).

40.6.4 Interest rate sensitivity risk

The following table indicates the sensitivity to a reasonable possible change in interest rates of 2%, with all other variables held constant, on the Group's and the company's net profit.

The sensitivity of interest income is the gross effect of the assumed changes in interest rates on the floating rate financial assets and liabilities. The correlation of a number of variables will have an impact on market risk. It should be noted that movements in these variables are non-linear and are assessed individually.

	The Group		The Company	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Effect on net profit	\$'000	\$'000	\$'000	\$'000
	5,158	4,037	11,173	5,681

40.7 Capital management

The capital structure of the Group consist of equity attributable to the shareholders of the parent company comprising issued capital, reserve, retained earnings and cash and bank balances.

The Group's objectives when managing its capital structure, which is a broader concept than the 'equity' on the face of the balance sheet, are:

- (i) To comply with the capital requirements set by the regulators;
- (ii) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and
- (iii) To maintain a strong capital base to support the development of its business.

There were no changes to the Group's approach to capital management during the year.

SUPREME VENTURES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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40 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)

40.8 Fair value 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. A market price, where an active market (such as a recognized stock exchange) exists, is the best evidence of the fair value of a financial instrument. Market prices are not available for some of the financial assets and liabilities of the Group. Fair values in the financial statements have therefore been estimated using present values or other estimation and valuation techniques based on market conditions existing at balance sheet date. Generally, considerable judgment is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that the Group would realize in a current market exchange.

The following methods and assumptions have been used:

- (a) The face values, less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair value. These financial assets and liabilities include cash and bank balances, trade receivable and payables.
- (b) The carrying value of long-term receivables approximate their fair values as these receivables are carried at amortized cost and the interest rates are reflective of current market rates for similar transactions.
- (c) Available-for-sale investments which include unquoted shares are stated at cost as stated in Note 10.
- (d) The carrying value of long-term liabilities approximate the fair values as these loans are carried at amortized cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar loans.

41 AMALGAMATION OF SUBSIDIARY

The following net assets were transferred to the company on amalgamation of subsidiary as detailed in Note 1 (a).

	\$'000
Property, plant and equipment (NBV)	126,383
Goodwill	189,953
Investment in subsidiary	21,472
Trade receivable	14,774
Long-term liability	(2,099)
Accounts payable	(11,910)
Related party balances	(337,509)
Net cash and bank balances transferred on amalgamation	<u>1,064</u>