SUPREME VENTURES Limited

**AUDITED FINANCIAL STATEMENTS**

31ST DECEMBER 2011

**SUPREME VENTURES LIMITED AND ITS SUBSIDIARIES**

**YEAR ENDED DECEMBER 31, 2011**

## CONTENTS

Deloitte.

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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 the consolidated financial statements of the Company and its subsidiaries (the Group), set out on pages 2 to 71, which comprise the Group's and the Company's statements of financial position as at December 31, 2011, the Group's and the Company's statements of comprehensive income, statements of changes in equity and statements of 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 of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2004 of Jamaica and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Audley L. Gordon, Anura Jayatillake, Winston G. Robinson, Fagan E. Calvert, Gihan C. deMel

Member of
**Deloitte Touche Tohmatsu Limited**

Deloitte.



**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 December 31, 2011, and of the Group's and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Report on additional requirements of the Companies Act, 2004 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 by the Companies Act, 2004 of Jamaica in the manner so required.

Deloitte & Touche

Chartered Accountants

Kingston, Jamaica,
February 28, 2012

**SUPREME VENTURES LIMITED**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AT DECEMBER 31, 2011**

| | Notes | 2011<br>$'000 | 2010<br>$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | 5 | 1,965,202 | 2,027,292 |
| Goodwill | 6 | 571,681 | 586,644 |
| Other intangible assets | 7 | 131,455 | 73,299 |
| Long-term receivable | 9 | 316,407 | 326,622 |
| Available-for-sale investments | 10 | 1,883 | 1,883 |
| Investment in joint venture | 11 | 34,221 | 34,221 |
| Deferred tax assets | 12 | 61,098 | 8,034 |
| | | 3,081,947 | 3,057,995 |
| **Current assets** | | | |
| Income tax recoverable | | - | 71,090 |
| Other assets | 13 | - | 5,019 |
| Inventories | 14 | 101,813 | 134,783 |
| Trade and other receivables | 15 | 462,709 | 486,558 |
| Cash and bank balances | 17 | 1,418,477 | 883,921 |
| | | 1,982,999 | 1,581,371 |
| **Total assets** | | 5,064,946 | 4,639,366 |
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' equity** | | | |
| Share capital | 18 | 1,967,183 | 1,967,183 |
| Capital reserves | 19 | 62,486 | 62,486 |
| Revaluation reserves | 20 | 160,350 | 159,061 |
| Retained earnings | 37 | 1,293,238 | 1,135,298 |
| | | 3,483,257 | 3,324,028 |
| **Non-current liabilities** | | | |
| Long-term liabilities | 21 | 189,444 | 192,761 |
| **Current liabilities** | | | |
| Trade and other payables | 22 | 726,575 | 782,739 |
| Current portion of long-term liabilities | 21 | 214,605 | 118,614 |
| Prizes liabilities | 23 | 264,301 | 221,224 |
| Income tax payable | | 186,764 | - |
| | | 1,392,245 | 1,122,577 |
| **Total equity and liabilities** | | 5,064,946 | 4,639,366 |

The Notes on Pages 10 to 71 form an integral part of the financial statements.

The financial statements on Pages 2 to 71 were approved and authorised for issue by the Board of Directors on February 28, 2012 and are signed on its behalf by:

| | |
|---|---|
| ........................................................ | ........................................................ |
| Paul Hoo - Chairman | Brian George - President and CEO |

**SUPREME VENTURES LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**YEAR ENDED DECEMBER 31, 2011**

| | Notes | 2011<br>$'000 | 2010<br>$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 24 | 27,961,628 | 25,267,080 |
| Direct expenses | 26 | (24,659,683) | (22,484,798) |
| Gross profit | | 3,301,945 | 2,782,282 |
| Operating expenses | 27 | ( 2,439,217) | ( 2,059,226) |
| Profit from operations | | 862,728 | 723,056 |
| Interest income | | 46,376 | 71,631 |
| Net foreign exchange gain/(loss) | 29 | 7,666 | ( 7,158) |
| Finance costs | 30 | ( 48,600) | ( 41,608) |
| Other gains and losses | 31 | 195,391 | ( 15,056) |
| **Profit before taxation from continuing operations** | 32 | 1,063,561 | 730,865 |
| Taxation | 34 | ( 443,294) | ( 292,138) |
| **Profit for the year from continuing operations** | | 620,267 | 438,727 |
| **Discontinued operations** | | | |
| Loss for the year from discontinued operations | 35 | ( 13,941) | ( 17,460) |
| **Profit for the year** | 36 | 606,326 | 421,267 |
| **Other comprehensive income** | | | |
| Gain on revaluation of property | | - | 210,592 |
| Deferred tax relating to other comprehensive income | | 1,289 | ( 51,531) |
| Other comprehensive income for the year, net of tax | | 1,289 | 159,061 |
| **Total comprehensive income for the year** | | 607,615 | 580,328 |
| **Earnings per stock** | 38 | | |
| **From continuing and discontinued operations** | | | |
| Basic | | 0.23 Cents | 0.16 Cents |
| Diluted | | 0.23 Cents | 0.16 Cents |

The Notes on Pages 10 to 71 form an integral part of the financial statements.

**SUPREME VENTURES LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**YEAR ENDED DECEMBER 31, 2011**

| | Note | Share Capital $'000 | Capital Reserves $'000 | Revaluation Reserves $'000 | Retained Earnings $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Balance at January 1, 2010 | | 1,967,183 | 62,486 | - | 1,083,247 | 3,112,916 |
| Profit for the year | | - | - | - | 421,267 | 421,267 |
| Other comprehensive income for the year, net of tax | | - | - | 159,061 | - | 159,061 |
| Total comprehensive income for the year | | - | - | 159,061 | 421,267 | 580,328 |
| Dividend paid | 41(a) | - | - | - | ( 369,216) | ( 369,216) |
| Balance at December 31, 2010 | | 1,967,183 | 62,486 | 159,061 | 1,135,298 | 3,324,028 |
| Profit for the year | | - | - | - | 606,326 | 606,326 |
| Other comprehensive income for the year, net of tax | | - | - | 1,289 | - | 1,289 |
| Total comprehensive income for the year | | - | - | 1,289 | 606,326 | 607,615 |
| Dividend paid | 41(a) | - | - | - | ( 448,386) | ( 448,386) |
| Balance at December 31, 2011 | | 1,967,183 | 62,486 | 160,350 | 1,293,238 | 3,483,257 |

The Notes on Pages 10 to 71 form an integral part of the financial statements.

**SUPREME VENTURES LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2011**

| | 2011<br>$'000 | 2010<br>$'000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net profit | 606,326 | 421,267 |
| Adjustments for: | | |
| Depreciation of property and equipment | 196,731 | 185,590 |
| Amortisation of intangible assets | 26,401 | 12,586 |
| Write-off of property and equipment | - | 7,397 |
| Gain on disposal of property and equipment | ( 859) | ( 27) |
| Goodwill written off | 14,963 | - |
| Amortisation of other assets | 5,019 | 6,023 |
| Write-off of income tax receivable | 10,379 | - |
| Write-off of inventory | - | 3,470 |
| Unrealised exchange loss (gain) on long-term liabilities | 554 | ( 10,001) |
| Exchange (gain) loss on long-term receivable | ( 3,965) | 16,793 |
| Effect of exchange rate changes on cash and cash equivalents | ( 1,921) | 3,953 |
| Other gains and losses | - | 15,056 |
| Impairment loss recognised on trade receivables | 5,971 | 11,880 |
| Interest income | ( 47,105) | ( 72,494) |
| Interest expenses | 48,600 | 41,608 |
| Income tax expenses | 426,714 | 284,321 |
| Operating cash flow before movement in working capital | 1,287,808 | 927,422 |
| Decrease (increase) in operating assets | | |
| Inventories | 32,970 | ( 44,810) |
| Trade and other receivables | ( 40,354) | ( 129,365) |
| (Decrease) increase in operating liabilities | | |
| Trade and other payables | ( 56,164) | 122,568 |
| Prizes liabilities | 43,077 | 10,087 |
| Cash generated by operations | 1,267,337 | 885,902 |
| Income tax paid | ( 220,635) | ( 506,184) |
| Interest paid | ( 48,647) | ( 39,039) |
| Cash provided by operating activities | 998,055 | 340,679 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisition of property and equipment | ( 139,883) | ( 166,142) |
| Acquisition of intangible assets | ( 84,557) | ( 24,344) |
| Proceeds on disposal of property and equipment | 6,101 | 249 |
| Long-term receivables | 63,440 | - |
| Interest received | 45,698 | 55,385 |
| Cash used in investing activities | ( 109,201) | ( 134,852) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Dividends paid | ( 448,386) | ( 369,216) |
| Loans received | 230,000 | 299,000 |
| Loans repaid | ( 111,004) | ( 247,507) |
| Lease obligations paid | ( 26,829) | ( 25,482) |
| Cash used in financing activities | ( 356,219) | ( 343,205) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | 532,635 | ( 137,378) |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | 883,921 | 1,025,252 |
| Effect of exchange rate changes on the balance of cash held in foreign currency | 1,921 | ( 3,953) |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | 1,418,477 | 883,921 |

The Notes on Pages 10 to 71 form an integral part of the financial statements.

**SUPREME VENTURES LIMITED**

**STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2011**

| | Notes | 2011<br>$'000 | 2010<br>$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | 5 | 238,265 | 267,883 |
| Goodwill | 6 | 189,953 | 189,953 |
| Other intangible assets | 7 | 1,920 | 1,952 |
| Investment in subsidiaries | 8 | 1,853,568 | 1,668,531 |
| Long-term receivable | 9 | 894,943 | 941,594 |
| Available-for-sale investments | 10 | 1,883 | 1,883 |
| | | 3,180,532 | 3,071,796 |
| **Current assets** | | | |
| Income tax recoverable | | 2,576 | - |
| Inventories | 14 | 90,715 | 120,854 |
| Dividend receivable | 41 | 18,137 | - |
| Trade and other receivables | 15 | 193,002 | 171,877 |
| Due from related parties | 16 | 141,443 | 220,221 |
| Cash and bank balances | 17 | 164,454 | 72,789 |
| | | 610,327 | 585,741 |
| **Total assets** | | 3,790,859 | 3,657,537 |
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' Equity** | | | |
| Share capital | 18 | 1,967,183 | 1,967,183 |
| Capital reserve | 19 | 62,486 | 62,486 |
| Revaluation reserve | 20 | 38,180 | 37,733 |
| Retained earnings | 37 | 1,018,162 | 1,024,593 |
| | | 3,086,011 | 3,091,995 |
| **Non-current liabilities** | | | |
| Long-term liabilities | 21 | 189,444 | 154,000 |
| Deferred tax liability | 12 | 37,608 | 36,372 |
| | | 227,052 | 190,372 |
| **Current liabilities** | | | |
| Trade and other payables | 22 | 302,386 | 281,405 |
| Current portion of long-term liability | 21 | 175,410 | 91,856 |
| Income tax payable | | - | 1,909 |
| | | 477,796 | 375,170 |
| **Total equity and liabilities** | | 3,790,859 | 3,657,537 |

The Notes on Pages 10 to 71 form an integral part of the financial statements.

The financial statements on Pages 2 to 71 were approved and authorised for issue by the Board of Directors on February 28, 2012 and are signed on its behalf by:

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Paul Hoo - Chairman Brian George - President and CEO

**SUPREME VENTURES LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**

**YEAR ENDED DECEMBER 31, 2011**

| | Notes | 2011<br>$'000 | 2010<br>$'000 |
|---|---|---|---|
| Revenue | 24 | 2,463,678 | 2,272,524 |
| Direct expenses | 26 | (2,193,524) | (1,925,566) |
| Gross profit | | 270,154 | 346,958 |
| Dividend income from wholly-owned subsidiary | 41(b) | 475,000 | 620,000 |
| Operating expenses | 27 | ( 334,535) | ( 268,706) |
| Profit from operations | | 410,619 | 698,252 |
| Interest income | | 92,069 | 75,824 |
| Net foreign exchange gain (loss) | 29 | 1,325 | 4,094 |
| Finance costs | 30 | ( 44,449) | ( 33,330) |
| Other gains and losses | 31 | ( 14,963) | ( 15,056) |
| **PROFIT BEFORE TAXATION** | 32 | 444,601 | 729,784 |
| Taxation | 34 | ( 2,646) | ( 59,434) |
| **PROFIT FOR THE YEAR** | 36 | 441,955 | 670,350 |
| **Other comprehensive income** | | | |
| Gain on revaluation of property | | - | 55,600 |
| Deferred tax relating to other comprehensive income | | 447 | ( 17,867) |
| Other comprehensive income for the year, net of tax | | 447 | 37,733 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | 442,402 | 708,083 |

The Notes on Pages 10 to 71 form an integral part of the financial statements.

**SUPREME VENTURES LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**YEAR ENDED DECEMBER 31, 2011**

| | Note | Share Capital $'000 | Capital Reserve $'000 | Revaluation Reserve $'000 | Retained Earnings $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Balance at January 1, 2010 | | 1,967,183 | 62,486 | - | 723,459 | 2,753,128 |
| Profit for the year | | - | - | - | 670,350 | 670,350 |
| Other comprehensive income for the year, net of tax | | - | - | 37,733 | - | 37,733 |
| Total comprehensive income for the year | | - | - | 37,733 | 670,350 | 708,083 |
| Dividend paid | 41(a) | - | - | - | ( 369,216) | ( 369,216) |
| Balance at December 31, 2010 | | 1,967,183 | 62,486 | 37,733 | 1,024,593 | 3,091,995 |
| Profit for the year | | - | - | - | 441,955 | 441,955 |
| Other comprehensive income for the year, net of income tax | | - | - | 447 | - | 447 |
| Total comprehensive income for the year | | - | - | 447 | 441,955 | 442,402 |
| Dividend paid | 41(a) | - | - | - | ( 448,386) | ( 448,386) |
| Balance at December 31, 2011 | | 1,967,183 | 62,486 | 38,180 | 1,018,162 | 3,086,011 |

The Notes on Pages 10 to 71 form an integral part of the financial statements.

**SUPREME VENTURES LIMITED**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2011**

| | 2011<br>$'000 | 2010<br>$'000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net profit | 441,955 | 670,350 |
| Adjustment for: | | |
| Depreciation of property and equipment | 39,871 | 45,878 |
| Gain on disposal of property and equipment | - | - |
| Acquisition of property and equipment from subsidiary | ( 2,617) | - |
| Unrealised exchange (gain) loss (net) | 49 | ( 5,521) |
| Dividend income | (475,000) | (620,000) |
| Impairment of investment in subsidiary | 14,963 | - |
| Write-off income tax recoverable | 10,379 | - |
| Impairment of available-for-sale investment | - | 15,056 |
| Amortisation of intangible assets | 840 | 684 |
| Effect of exchange rate changes on cash and cash equivalents | ( 404) | 190 |
| Write-off of inventory | - | 3,470 |
| Interest income | ( 92,069) | ( 75,824) |
| Interest expenses | 44,449 | 33,330 |
| Income tax expenses | 2,646 | 59,434 |
| Operating cash flows before movement in working capital | ( 14,938) | 127,047 |
| Decrease (increase) in inventory | 30,139 | ( 47,990) |
| Decrease (increase) in trade and other receivables | 14,647 | ( 47,802) |
| Decrease in due from related parties | 78,778 | 115,767 |
| Decrease in trade and other payables | 20,981 | 37,369 |
| Cash generated by operations | 129,607 | 184,391 |
| Interest paid | ( 44,496) | ( 30,761) |
| Income tax paid | ( 5,448) | ( 93,580) |
| Cash provided by operating activities | 79,663 | 60,050 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest received | 92,069 | 76,066 |
| Acquisition of property and equipment | ( 7,636) | ( 453) |
| Acquisition of intangible asset | ( 808) | ( 2,521) |
| Long-term receivable | 500 | (437,539) |
| Investment in subsidiary | (200,000) | ( 70,000) |
| Cash (used in) investing activities | (115,875) | (434,447) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Dividend received | 456,863 | 620,000 |
| Dividend paid | (448,386) | (369,216) |
| Loan received | 230,000 | 299,000 |
| Loan repaid | (111,004) | (206,781) |
| Cash provided by financing activities | 127,473 | 343,003 |
| **NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** | 91,261 | ( 31,394) |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | 72,789 | 104,373 |
| Effect of exchange rate charges on the balance of cash held in foreign currencies | 404 | ( 190) |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | 164,454 | 72,789 |

The Notes on Pages 10 to 71 form an integral part of the financial statements.

## 1 IDENTIFICATION

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

The main activities of the company 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:

| Name of Company | Principal Activity | Percentage Ownership % |
|---|---|---|
| Supreme Ventures Lotteries Limited and its subsidiary: | Lottery operations | 100 |
| Bingo Investments Limited | Lottery operations - inactive | 100 |
| Prime Sports (Jamaica) Limited and its wholly-owned subsidiary: | Gaming operations | 100 |
| Chillout Ventures Limited | Gaming operations (not yet in operation) | 100 |
| Supreme Ventures Financial Services Limited | Foreign exchange dealer services/remittance | 100 |
| Big 'A' Track 2003 Limited | Sports betting | 100 |

Supreme Ventures Lotteries Limited, Prime Sports (Jamaica) Limited and Big 'A' Track 2003 Limited are licensed by the Betting, Gaming and Lotteries Commission to carry out their respective activities.

Supreme Venture Financial Services Limited provides cambio and remittance services under licence by the Bank of Jamaica. (See also Note 35).

In addition to the entities above, the Group also includes the following entities which have been put into members' voluntary liquidation:

- Jamaica Lottery Company Limited
- Village Square Entertainment Limited
- Coral Cliff Entertainment Limited

The liquidation process of these entities has not yet been completed.

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

## 2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

### 2.1 ***New and revised Standards and Interpretations*** **affecting the reported financial performance and/or financial position or disclosure**

There were no Standards or Interpretations effective in the current year that affected the presentations or disclosures in the financial statements or the reported financial performance or position.

Details of other new and revised Standards and Interpretations applied in the financial statements but which had no effect on the amounts reported are set out in Note 2.2.

## 2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

### 2.2 *New and revised IFRSs and Interpretations applied with no material effect on the financial statements*

- Amendments to IFRS 3 Business Combinations - As part of *Improvements to IFRSs* issued in 2010, IFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards. In addition, IFRS 3 was amended to provide more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date ('market-based measure'). This amendment has not resulted in any change in the financial statements of the Group as there is no non-controlling interest held or acquired.

- IFRS 7 Financial Instruments: Disclosures - The amendment encourages qualitative disclosures in the context of the quantitative disclosure required to help users to form an overall picture of the nature and extent of risks arising from financial instruments. It also clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated loans. The application of the amendments has not had a material effect on the Group's financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)* - The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. The Group has chosen to continue such an analysis in the notes to the consolidated financial statements, with a single-line presentation of other comprehensive income in the consolidated statement of changes in equity.

- IAS 24 *Related Party Disclosures* - The amendments to the standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Company and its subsidiaries are not Government related entities. The application of the amendments has had no impact on the Group's financial statements.

- IAS 27 Consolidated and Separate Financial Statements - The amendment clarifies that the amendments made to IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures as a result of IAS 27(2008) should be applied prospectively (with the exception of paragraph 35 of IAS 28 and paragraph 46 of IAS 31, which should be applied retrospectively). The application of the amendments has not had a material effect on the Group's financial statements.

- Amendments to IAS 32 *Classification of Rights Issues* - The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

  The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.

## 2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Cont'd)

### 2.2 *New and revised IFRSs and Interpretations applied with no material effect on the financial statements (Cont'd)*

- IAS 34 Interim Financial Reporting was amended to provide a clarification around significant events and transactions to be disclosed in interim financial reports. The amendment emphasises that these interim disclosures should update the relevant information presented in the most recent annual financial report. The amendment also clarifies how to apply this principle in respect of financial instruments and their fair values.

- IFRIC 13 Customer Loyalty Programmes - The amendment Clarifies that the 'fair value' of award credits should take into account the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale and any expected forfeitures. The application of the amendments has had no effect on the Group's financial statements as such programmes are not offered.

- Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement - IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments has had no effect on the Group's financial statements as the Group does not have a defined benefit pension plan.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss.

  The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the company has not entered into any transactions of this nature.

### 2.3 *New and revised IFRSs and Interpretations in issue but not yet effective*

At the date of authorisation of these financial statements, the following new Standards and Interpretations and amendments to those in issue were not yet effective or early adopted for the financial period being reported upon:

| | | Effective for annual periods <u>beginning on or after</u> |
|---|---|---|
| <u>New Standards</u> | | |
| IFRS 9 | Financial Instruments | |
| | - Classification and Measurement of financial assets | January 1, 2015 |
| | - Accounting for financial liabilities and derecognition | January 1, 2015 |
| IFRS 10 | Consolidated Financial Statements | January 1, 2013 |
| IFRS 11 | Joint Arrangements | January 1, 2013 |
| IFRS 12 | Disclosures of Interest in Other Entities | January 1, 2013 |
| IFRS 13 | Fair Value Measurement | January 1, 2013 |

## 2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Cont'd)

### 2.3 *New and revised IFRSs and Interpretations in issue but not yet effective (Cont'd)*

| | | Effective for annual periods beginning on or after |
|---|---|---|
| Revised Standards | | |
| IAS 1 | Presentation of Financial Statements<br>- Amendments to revise the way other comprehensive income is presented | July 1, 2012 |
| IAS 12 | Income taxes - Limited scope amendment (recovery of underlying assets) | January 1, 2012 |
| IFRS 1 | First-time Adoption of International Financial Reporting Standards: | |
| | - Replacement of "fixed dates" for certain exceptions with the "date of transition to IFRS" | July 1, 2011 |
| | - Additional exception for entities ceasing to suffer from severe hyperinflation | July 1, 2011 |
| IFRS 7 | Financial Instruments: Disclosures | |
| | - Amendments enhancing disclosures about transfers of financial assets | July 1, 2011 |
| | - Amendments requiring disclosures about the initial application of IFRS 9 | (i) |
| | - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities | (ii) |
| IAS 19 | Employee Benefits<br>- Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects | January 1, 2013 |
| IAS 27 | Consolidated and Separate Financial Statements<br>- Reissued as IAS 27 *Separate Financial Statements* | January 1, 2013 |
| IAS 28 | Investments in Associates<br>- Reissued as IAS 28 *Investments in Associates and Joint Ventures* | January 1, 2013 |
| IAS 32 | Financial Instruments: Presentation<br>- Amendments to application guidance on the offsetting of financial assets and financial liabilities | January 1, 2014 |
| New and Revised Interpretations | | |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine | January 1, 2013 |

(i) Annual periods beginning on or after January 1, 2015 (or otherwise when IFRS 9 is first applied)

(ii) Annual periods beginning on or after January 1, 2013 and interim periods within those periods

## 2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Cont'd)

### 2.3 *New and revised IFRSs and Interpretations in issue but not yet effective (Cont'd)*

Except as noted below, the Board of Directors and management anticipate that the adoption of these standards and interpretations in the future periods at their effective dates will not be relevant to the financial statements of the Group in the periods of initial application.

- IFRS 7 (Revised) *Financial Instruments: Disclosures* (effective for annual periods beginning on or after July 1, 2011). Enhanced Derecognition Disclosure Requirements - The IASB introduced enhanced disclosure requirements to IFRS 7 as part of its comprehensive review of off-balance sheet activities. The amendments are designed to ensure that users of financial statements are able to more readily understand transactions involving the transfer of financial assets (for example, securitisations), including the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. Disclosures are not required for comparative periods before the date of initial application of the amendments. On adoption, the amendments are not expected to have an impact on the financial statements.

- *IFRS 9 Financial Instruments* (effective for annual periods beginning on or after January 1, 2015 with earlier application permitted) issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are as follows:

(i) IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

(ii) The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The Group anticipates that on adoption, the standard is not likely to have a significant impact on the amounts reported.

## 2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Cont'd)

### 2.3 *New and revised IFRSs and Interpretations in issue but not yet effective (Cont'd)*

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five Standards are described below.

- IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-12 *Consolidation - Special Purpose Entities* has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

- IFRS 11 replaces IAS 31 *Interests in Joint Ventures*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers* has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

- In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

- IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

  These five standards are effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

  The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013. The Group has not yet assessed the impact of these Standards on adoption.

## 2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Cont'd)

### 2.3 *New and revised IFRSs and Interpretations in issue but not yet effective (Cont'd)*

- IFRS 13 *Fair Value Measurement* (effective for annual periods beginning on or after January 1, 2013, with earlier application permitted) establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope.

  The directors anticipate that the application of the new Standard will not affect the amounts reported in the financial statements but may result in more extensive disclosures.

- The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

  The amendments to IAS 1 will result in the presentation of items of other comprehensive income being modified accordingly when the amendments are applied in the future accounting periods.

## 3 SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Statement of compliance

The Group's financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) and the Companies Act, 2004 of Jamaica.

### 3.2 Basis of preparation

The Group's financial statements have been prepared on the historical cost basis except for the revaluation of freehold land and buildings. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

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.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

## 3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.3 Basis of consolidation (Cont'd)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

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

3.3.1 <u>Changes in the Group's ownership interests in existing subsidiaries</u>

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the Group loses control of a subsidiary, the gain or loss is recognised in the profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as the company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

### 3.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements, are recognised and measured in accordance with IAS 12 *income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS *2 Share-based Payments*; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS *5 Noncurrent Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

## 3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.4 Business combinations (Cont'd)

Goodwill is measured,as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates *in* accordance *with* IAS *39, or* IAS *37 Provisions, Contingent Liabilities and Contingent Assets, as* appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The policy described above is applied to all business combinations that take place on or after January 1, 2010.

## 3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.5 Property and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated 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 which would be determined using fair values at the end of the reporting period.

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

Property in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets commences when the assets are ready for their intended use.

Depreciation on revalued buildings is recognised in 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.

Freehold land is not depreciated.

Other property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

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 the end of each reporting period, 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.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any 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.

### 3.6 Goodwill

Goodwill arising on the acquisition of a business is carried at cost as established as of the date of the acquisition of the business (see 3.4 above) less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group’s cash-generating units that are expected to benefit from the synergies of the combination.

## 3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.6 Goodwill (Cont'd)

A cash-generating unit to which goodwill has been allocated is 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 its carrying amount, 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 based on the carrying amount of each asset in the unit. An impairment loss for goodwill is recognised directly in profit or loss in the consolidated Statement of Comprehensive Income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### 3.7 Intangible assets

3.7.1 Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

3.7.2 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

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

3.7.3 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

### 3.8 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, 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, corporate assets are also allocated to cash generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

## 3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.8 Impairment of tangible and intangible assets other than goodwill (Cont'd)

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. An impairment loss is recognised immediately in profit or loss, 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 of the impairment loss is treated as a revaluation increase.

### 3.9 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

### 3.10 Financial assets

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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

#### 3.10.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivable (including long-term trade and other receivables related party balances and cash and bank balances) 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.

#### 3.10.2 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, to the net carrying amount on initial recognition.

## 3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.10 ***Financial assets (Cont'd)***

#### 3.10.3 *Available-for-sale investments (AFS financial assets)*

AFS financial assets are non-derivative that are either designated as AFS or are not classified as loans and receivables. The Group has investments in unlisted shares that are not traded in an active market but are classified as AFS financial assets and stated at fair value at the end of each reporting period, except where fair value cannot be reliably determined, they are stated at cost. Fair value is determined in the manner described in Note 43.8. Gains and losses arising from changes in fair value are recognized directly in equity, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit and loss. Where the investment is disposed of or is determined to be impaired the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

Dividends on AFS equity instruments are recognised in profit and loss when the Group's right to receive the dividends is established.

#### 3.10.4 *Impairment of financial assets*

Financial assets are assessed for indication of impairment at the end of each reporting period. Financial assets are considered to be 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 affected.

For AFS equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are in addition assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 7 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

## 3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.10 *Financial assets (Cont'd)*

#### 3.10.4 Impairment of financial assets *(Cont'd)*

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 statement of comprehensive income.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, 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 recognised, the previously recognised impairment loss is reversed through profit or loss 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 recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit and loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an extent occurring after the recognition of the impairment loss.

#### 3.10.5 Derecognition of financial assets

The Group derecognises 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 recognises 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 recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

## 3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.11 Financial liabilities and equity instruments

3.11.1 Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.11.2 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.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

3.11.3 Financial liabilities

Financial liabilities of the Group are classified as other financial liabilities.

Other financial liabilities (including borrowings, trade and other payables and prize liabilities) are subsequently measured at amortised cost using the effective interest method.

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 (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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3.11.4 Derecognition of financial liabilities

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying values of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### 3.12 Investment 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.

The Group records its interest in joint venture using the equity method. Under the equity method investment in joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of profit or loss after the date of acquisition.

## 3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.13 Taxation

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

3.13.1 *Current tax*

The tax currently payable is based on taxable profits for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the end of the reporting period.

3.13.2 *Deferred tax*

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised 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 the end of the reporting period 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 in which the liability is settled or the asset realised based on tax rates (and tax laws) that have been enacted by the end of the reporting period. 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.

3.13.3 *Current and deferred tax for the year*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### 3.14 Other assets

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

### 3.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in, first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

## 3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### 3.17 Revenue

Revenue represents the gross proceeds of the lottery games, Cash Pot, Lucky 5, Dollaz, Pick 3, Lotto, Prime Time Bingo, Pick 2, Super Lotto and Instant Games, pin code sales, income earned from remittance and foreign exchange dealer services, sports betting and proceeds from hospitality and gaming operations by the Group. Revenue is recognised as follows:

3.17.1 Lottery

Ticket sales - lottery games are sold to the public by contracted retail agents. Revenue is recognised 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.

3.17.2 Gaming - Revenue is recorded based on the cash value of tokens cleared from the drop box (drop tokens), roulette credits sold to customers, the cash bills cleared from the bill receptor (drop cash), the payouts made to customers and the net movement in the machines’ token stock levels.

3.17.3 Hospitality

Hospitality and related services - revenue is recognised when the service is provided.

## 3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.17 Revenue (Cont'd)

3.17.4 Financial services

Revenue for remittance services - revenue is recognised at the point of receipt of funds for remittance by MoneyGram International - (a sent fee) and at the point of payout by the agents - (commission income).

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

3.17.5 Pin codes

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

3.17.6 Sports Betting

Revenue represents the gross sales of the bets taken on international sporting events at all branches, net of refunds.

3.17.7 Interest revenue

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### 3.18 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 respected of the Group's business. The primary format for business segments is based on the Group's management and internal reporting structure. Segments 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 organised into the following primary segments:

(a) Lottery
(b) Gaming and hospitality
(c) Sports betting
(d) Pin codes and other

During the year the Group disposed of its financial services segment.

## 3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.19 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 recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

### 3.20 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 recognised 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 statement of financial position 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 recognised 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 recognised as an expense in the period in which they are incurred.

### 3.21 Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

### 3.22 Retirement benefit costs

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

### 3.23 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 recognised in profit or loss in the period in which they are incurred.

## 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 recognised 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 recognised in the financial statements.

*Goodwill*

As described in Note 6 to the financial statements goodwill arising on acquisition at the date of the statement of financial position amounts to $571.6 million. The directors and management have carried out an assessment and have made a judgement that goodwill that exists at the reporting date is not impaired, and no adjustments have been made to recognise any losses.

*Deferred tax assets*

As described in Note 12, the financial statements include a deferred tax assets of the Group of $194.3 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 reorganisation plans and projections of the Group, the subsidiary currently operating at a loss will return to profitability and therefore the deferred tax asset is realisable 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.

*Income taxes*

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were originally recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made (see Notes 12 and 34).

**SUPREME VENTURES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2011**

## 5 PROPERTY AND EQUIPMENT

The Group

| | Freehold Land (At Valuation) $'000 | Freehold Buildings (At Valuation) $'000 | Leasehold Buildings $'000 | Leasehold Improvements $'000 | Machinery & Equipment $'000 | Video Lottery Terminal Equipment $'000 | Furniture, Fixtures & Equipment $'000 | Computer Equipment $'000 | Motor Vehicles $'000 | Arts & Paintings $'000 | Signs & Posters $'000 | Capital Work in Progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | | | | | | | | | |
| Balance at January 1, 2010 | 133,000 | 869,980 | 120,348 | 297,894 | 218,522 | 484,570 | 416,341 | 21,296 | 84,992 | 2,363 | 24,928 | 6,097 | 2,680,331 |
| Revaluation increase | 56,000 | 67,120 | - | - | - | - | - | - | - | - | - | - | 123,120 |
| Additions | - | - | - | 13,811 | 1,108 | - | 29,085 | 5,091 | - | - | 96 | 116,951 | 166,142 |
| Asset write-off | - | - | - | - | ( 14,594) | ( 17,089) | - | - | - | - | - | - | ( 31,683) |
| Transfers | - | - | - | 36,106 | 35,456 | 38,792 | 12,694 | - | - | - | - | (123,048) | - |
| On disposals | - | - | - | - | ( 222) | - | - | - | - | - | - | - | ( 222) |
| Balance at December 31, 2010 | 189,000 | 937,100 | 120,348 | 347,811 | 240,270 | 506,273 | 458,120 | 26,387 | 84,992 | 2,363 | 25,024 | - | 2,937,688 |
| Additions | 48,128 | | | 12,159 | 4,918 | 5,976 | 17,789 | 1,254 | 46,562 | - | - | 3,097 | 139,883 |
| On disposals | - | - | - | - | - | - | - | - | ( 11,481) | - | - | - | ( 11,481) |
| Balance at December 31, 2011 | 237,128 | 937,100 | 120,348 | 359,970 | 245,188 | 512,249 | 475,909 | 27,641 | 120,073 | 2,363 | 25,024 | 3,097 | 3,066,090 |
| **Accumulated Depreciation** | | | | | | | | | | | | | |
| Balance at January 1, 2010 | - | 66,261 | 6,519 | 97,945 | 178,822 | 185,848 | 225,907 | 18,592 | 31,858 | - | 24,851 | - | 836,603 |
| Depreciation expense | - | 21,250 | 3,008 | 30,539 | 22,430 | 69,345 | 20,674 | 2,781 | 15,524 | - | 39 | - | 185,590 |
| Eliminated on revaluation | - | ( 87,511) | - | - | - | - | - | - | - | - | - | - | ( 87,511) |
| Asset write-off | - | - | - | - | ( 9,137) | ( 15,149) | - | - | - | - | - | - | ( 24,286) |
| Balance at December 31, 2010 | - | - | 9,527 | 128,484 | 192,115 | 240,044 | 246,581 | 21,373 | 47,382 | - | 24,890 | - | 910,396 |
| Depreciation expense | | 23,428 | 3,009 | 35,237 | 23,410 | 73,074 | 21,343 | 3,070 | 14,093 | - | 67 | - | 196,731 |
| On disposals | - | - | - | - | - | - | - | - | ( 6,239) | - | - | - | ( 6,239) |
| Balance at December 31, 2011 | - | 23,428 | 12,536 | 163,721 | 215,525 | 313,118 | 267,924 | 24,443 | 55,236 | - | 24,957 | - | 1,100,888 |
| Balance at December 31, 2011 | 237,128 | 913,672 | 107,812 | 196,249 | 29,663 | 199,131 | 207,985 | 3,198 | 64,837 | 2,363 | 67 | 3,097 | 1,965,202 |
| December 31, 2010 | 189,000 | 937,100 | 110,821 | 219,327 | 48,155 | 266,229 | 211,539 | 5,014 | 37,610 | 2,363 | 134 | - | 2,027,292 |

## 5 PROPERTY AND EQUIPMENT (Cont'd)

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

| | | |
|---|---|---|
| Freehold buildings | - | 40 years |
| Leasehold buildings and improvements | - | Over the life of the leases |
| Machine and equipment | - | 10 years |
| Video Lottery Terminal 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 | - | 5-10 years |

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

Freehold land and buildings are carried at fair value.

In the current and prior year an independent valuation of the Group's and Company's land and buildings were performed by Property Consultants Limited to determine the fair values. The valuations, which conform to International Valuation Standards were determined by reference to the open market values for similar properties. The fair value as at December 31, 2011 remained the same as December 31, 2010.

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Freehold land | 24,515 | 24,515 | 5,114 | 5,114 |
| Freehold buildings | 146,480 | 151,474 | 22,287 | 23,184 |
| | 170,995 | 175,989 | 27,401 | 28,298 |

**SUPREME VENTURES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2011**

## 5 PROPERTY AND EQUIPMENT (Cont'd)

| | The Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Freehold Land (At (Valuation) | Freehold Buildings (At (Valuation) | Leasehold Improvements | Video Lottery Terminal Equipment | Machinery & Equipment | Furniture, Fixtures and Office Equipment | Computer Equipment | Motor Vehicles | Roadway and Fencing | Art and Paintings | Signs and Posters | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cost/Valuation** | | | | | | | | | | | | |
| Balance at January 1, 2010 | 13,000 | 15,000 | 22,417 | 327,475 | 193,871 | 46,580 | 16,459 | 16,977 | 1,130 | 2,363 | 24,642 | 679,914 |
| Revaluation increase | 2,000 | 52,100 | - | - | - | - | - | - | | - | - | 54,100 |
| Addition | - | - | - | - | - | 453 | - | - | - | - | - | 453 |
| Balance at December 31, 2010 | 15,000 | 67,100 | 22,417 | 327,475 | 193,871 | 47,033 | 16,459 | 16,977 | 1,130 | 2,363 | 24,642 | 734,467 |
| Revaluation increase | | | | | | | | | | | | |
| Transfer from subsidiary | - | - | 2,617 | - | - | - | - | - | - | - | - | 2,617 |
| Additions | - | - | 818 | 1,505 | - | 3,589 | 710 | 1,014 | - | - | - | 7,636 |
| Balance at December 31, 2011 | 15,000 | 67,100 | 25,852 | 328,980 | 193,871 | 50,622 | 17,169 | 17,991 | 1,130 | 2,363 | 24,642 | 744,720 |
| **Accumulated Depreciation** | | | | | | | | | | | | |
| Balance at January 1, 2010 | - | 1,000 | 22,028 | 114,563 | 192,474 | 37,157 | 16,380 | 13,663 | 299 | - | 24,642 | 422,206 |
| Depreciation expense | - | 500 | 261 | 39,518 | 951 | 2,617 | 79 | 1,924 | 28 | - | - | 45,878 |
| Eliminated on revaluation | - | ( 1,500) | - | - | - | - | - | - | - | - | - | ( 1,500) |
| Balance at December 31, 2010 | - | - | 22,289 | 154,081 | 193,425 | 39,774 | 16,459 | 15,587 | 327 | - | 24,642 | 466,584 |
| Depreciation expense | - | 1,677 | 126 | 33,841 | 181 | 2,532 | 128 | 1,357 | 29 | - | - | 39,871 |
| Balance at December 31, 2011 | - | 1,677 | 22,415 | 187,922 | 193,606 | 42,306 | 16,587 | 16,944 | 356 | - | 24,642 | 506,455 |
| **Balance at** | | | | | | | | | | | | |
| December 31, 2011 | 15,000 | 65,423 | 3,437 | 141,058 | 265 | 8,316 | 582 | 1,047 | 774 | 2,363 | - | 238,265 |
| December 31, 2010 | 15,000 | 67,100 | 128 | 173,394 | 446 | 7,259 | - | 1,390 | 803 | 2,363 | - | 267,883 |

**SUPREME VENTURES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2011**

## 5 PROPERTY AND EQUIPMENT (Cont'd)

Annual depreciation rates are based on the following useful lives:

| | | |
|---|---|---|
| Freehold buildings | - | 40 years |
| Leasehold improvements | - | Over the life of the lease |
| Video Lottery Terminal equipment | - | 5-10 years |
| Furniture, fixtures and office equipment | - | 10 years |
| Computer equipment | - | 3 - 5 years |
| Motor vehicles | - | 5 years |
| Machinery equipment | - | 10 years |
| Signs and posters | - | 5-10 years |

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

## 6 GOODWILL

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Acquired goodwill | 571,681 | 586,644 | 189,953 | 189,953 |

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:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Gaming operations | 381,728 | 381,728 | - | - |
| Lottery operations | 189,953 | 189,953 | 189,953 | 189,953 |
| Financial services | - | 14,963 | - | - |
| | 571,681 | 586,644 | 189,953 | 189,953 |

Management has determined that the remaining goodwill balance at December 31, 2011 is not impaired based on assessments of the recoverable amounts of the CGUs. The assessments were carried out as described below.

Gaming operation

The recoverable amount of this cash generating unit which represents the operations of the gaming lounges is determined based on value in use calculation which uses cash flow projections based on financial budgets approved by the directors, covering a period of seven years. A discount rate of 10% (2010: 12% per annum) was used in the calculation.

Cash flow projections during the budget period are based on improved net cash inflows due to operational improvements at the gaming lounges. The cash flows beyond the seven year period have been extrapolated using a steady 5% (2010: 5%) per annum growth rate in estimating the continuing value of the cash generating unit. The directors believe that any reasonably possible change in key assumption on which the recoverable amount is based would not cause the aggregate carrying value to exceed the aggregate recoverable amount of the cash generating unit.

**SUPREME VENTURES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2011**

## 6 GOODWILL (Cont'd)

Lottery operation
This cash generating unit represents certain lottery games promoted by the Group. These lottery games are profitable and the assumption that these games will continue to be profitable, formed the basis for management's assessment.

Financial services
This cash generating unit represents the activities of the subsidiary, Supreme Ventures Financial Services Limited. The cambio and MoneyGram operations of this entity were discontinued during the financial year, which formed the basis for management's assessment, resulting in a write off of the goodwill. (See also Note 35).

## 7 OTHER INTANGIBLE ASSETS

| | The Group | | | | The Company |
|---|---|---|---|---|---|
| | Computer Software | Licences | Software Usage Rights | Total | Computer Software |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cost** | | | | | |
| Balance at January 1, 2010 | 34,777 | 49,044 | - | 83,821 | 6,298 |
| Additions | 24,344 | - | - | 24,344 | 2,521 |
| Balance at December 31, 2010 | 59,121 | 49,044 | - | 108,165 | 8,819 |
| Additions | 3,999 | - | 80,558 | 84,557 | 808 |
| Balance at December 31, 2011 | 63,120 | 49,044 | 80,558 | 192,722 | 9,627 |
| **Accumlated Amortisation** | | | | | |
| Balance at January 1, 2010 | 22,280 | - | - | 22,280 | 6,183 |
| Amortisation expense | 7,355 | 5,231 | - | 12,586 | 684 |
| Balance at December 31, 2010 | 29,635 | 5,231 | | 34,866 | 6,867 |
| Amortisation expense | 13,114 | 5,231 | 8,056 | 26,401 | 840 |
| Balance at December 31, 2011 | 42,749 | 10,462 | 8,056 | 61,267 | 7,707 |
| **Balance at** | | | | | |
| December 31, 2011 | 20,371 | 38,582 | 72,502 | 131,455 | 1,920 |
| December 31, 2010 | 29,486 | 43,813 | - | 73,299 | 1,952 |

Computer software

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

**SUPREME VENTURES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2011**

## 7 OTHER INTANGIBLE ASSETS (Cont'd)

Licences

Licences represent cost of acquisitions through subsidiaries as detailed below:

| | The Group | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Chillout Ventures Limited | 26,155 | 26,155 |
| Amortisation | (10,462) | ( 5,231) |
| | 15,693 | 20,924 |
| Big 'A' Track 2003 Limited | 22,889 | 22,889 |
| | 38,582 | 43,813 |

Chillout Ventures Limited has a licence to promote gaming operations. The cost of this licence is being amortised over the estimated useful life which is deemed to be five years.

Big 'A' Track 2003 Limited holds permit to promote sports betting. The cost of this licence will be amortised over its useful life of five years commencing 2012.

Software usage rights

This comprises the one-time software user rights fee paid to Intralot Jamaica Limited related to sports betting. The amount is amortised over the life of the contract, which is 10 years.

## 8 INVESTMENT IN SUBSIDIARIES

8.1 Investments in subsidiaries at cost include:

| | The Company | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Supreme Ventures Lotteries Limited (see 8.2 below) | 1,000 | 1,000 |
| Supreme Ventures Financial Services Limited (see 8.3 below) | 5,760 | 20,723 |
| Jamaica Lottery Holdings Limited (see 8.3 below) | 750 | 750 |
| Big 'A' Track 2003 Limited (see 8.4 below) | 322,889 | 122,889 |
| Prime Sports (Jamaica) Limited (see 8.5 below) | 1,523,169 | 1,523,169 |
| | 1,853,568 | 1,668,531 |

8.2 The company has signed a guarantee for an amount of J$500 million on behalf of the subsidiary 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 licencee is required to have an equity capitalisation of not less than $500 million.

## 8 INVESTMENT IN SUBSIDIARIES (Cont'd)

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 in members' voluntary liquidation. At reporting 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 Big 'A' Track 2003 Limited

| | 2011 | 2010 |
|---|---|---|
| | $'000 | $'000 |
| Balance January 1 | 122,889 | 52,889 |
| Capital injection | 200,000 | 70,000 |
| Balance December 31 | 322,889 | 122,889 |

(i) By an ordinary resolution dated August 9, 2010, the ordinary share capital of the subsidiary was increased to 100,000,000 shares of no par value by the creation of 70,000,000 new ordinary shares of no par value. 70,000,000 ordinary shares were allotted to the company as full consideration for J$70 million in cash.

(ii) By an ordinary resolution dated March 25, 2011, the ordinary share capital of the subsidiary was increased to 300,000,000 shares of no par value by the creation of 300,000,000 new ordinary shares of no par value. 200,000,000 ordinary shares were allotted to the company as full consideration for J$200 million in cash.

8.5 Investment in Prime Sports (Jamaica) Limited

| | 2011 | 2010 |
|---|---|---|
| | $'000 | $'000 |
| Balance January 1 | 1,523,169 | 1,173,169 |
| Capital injection | - | 350,000 |
| December 31 | 1,523,169 | 1,523,169 |

By an ordinary resolution filed in January 2010, the ordinary share capital of the subsidiary was increased to 1,150,000,000 shares of no par value by the creation of 350,000,000 new ordinary shares of no par value. 350,000,000 ordinary shares were allotted to the company as full consideration for repayment of related party balances of J$350 million.

## 9 LONG-TERM RECEIVABLES

9.1 These include:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| SGL BVI Limited (US$3,916,713 (2010: US$$4,660,324 (see Note 9.2 below) | 338,021 | 397,496 | | - |
| Prime Sports (Jamaica) Limited | - | | | |
| Debentures (see Note 9.3 below) | - | - | 557,164 | 557,664 |
| Loans (see Note 9.4 below) | - | - | 438,039 | 438,039 |
| | 338,021 | 397,496 | 995,203 | 995,703 |
| Less: Current portion included in other receivables (Note 15) | ( 21,614) | ( 70,874) | (100,260) | ( 54,109) |
| Long-term receivables | 316,407 | 326,622 | 894,943 | 941,594 |

9.2 SGL BVI Limited

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

During the year SGL BVI made a payment of US$760,000 as a part settlement of the outstanding balance. The balance outstanding at December 31, 2011 amounting to US$3,916,713 is to be serviced under an Electronic Gaming Machine Framework Agreement dated March 3, 2011 between Intralot Caribbean Ventures Limited (Intralot) and the Company and a Project Service Agreement dated March 11, 2011 between SGL BVI and Intralot. Interest will accrue on the outstanding balance at the rate of 3 months LIBOR. Included in the balance outstanding at December 31, 2011 is interest accrued amounting to US$13,601 (J$1,173,804).

Based on the repayment plan an amount of $21.61 million has been determined as the current portion of the outstanding balance at December 31, 2011.

9.3 Prime Sports (Jamaica) Limited - Debenture

Under the scheme of reorganisation and amalgamation 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.

The debentures will each be for a term of twenty-one (21) years, payable by 20 interim annual installments of J$250,000 each on March 31$^{st}$ 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 original terms of the debentures required that interest be charged on the principal sum at a variable rate which is 1% below the weighted average yield on Government of Jamaica 6 months Treasury Bills. However, as at January 1, 2010 the interest to be charged on the debentures was renegotiated with the subsidiary and agreed to be at a rate of 8% per annum, reviewed quarterly and to be paid quarterly.

**SUPREME VENTURES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2011**

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

### 9.4 Prime Sports (Jamaica) Limited - Loans

| | $'000 |
|---|---|
| Loan 1 (a below) | 243,373 |
| Loan 2 (b below) | 194,666 |
| | 438,039 |
| Current portion | ( 99,759) |
| Long-term portion | 338,280 |

These represent portions of the related party balances due from subsidiary, Prime Sports (Jamaica) Limited as at January 1, 2010 which have been restructured into long-term loan agreements.

(a) The loan is repayable as follows:

| | $'000 |
|---|---|
| Within one year | 22,597 |
| In the second year | 11,420 |
| In third to fifth year inclusive | 40,270 |
| Later than five years | 169,086 |
| | 243,373 |
| Less: Current portion (shown under current assets) | ( 22,597) |
| Amount due for settlement after 12 months | 220,776 |

The loan is repayable in monthly installments of J$2,389,130, at interest rate of 8% per annum. The loan is repayable by 2024.

(b) The loan is repayable as follows:

| | $'000 |
|---|---|
| Within one year | 77,162 |
| In the second year | 39,922 |
| In third to fifth year inclusive | 77,582 |
| | 194,666 |
| Less: current portion (shown under current assets) | ( 77,162) |
| Amount due for settlement after 12 months | 117,504 |

The loan is repayable in monthly installments of J$4,281,233, at interest rate 8% per annum. The loan is repayable by 2015.

## 10 AVAILABLE-FOR-SALE INVESTMENTS

These include:

Unquoted investments

| | The Group and The Company | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Balance, January 1 | 1,883 | 16,939 |
| Impairment adjustment (see Note 31) | - | (15,056) |
| Balance, December 31 | 1,883 | 1,883 |

## 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 net operating results of the joint venture since the acquisition date are not material and as a result the investment is stated at cost.

## 12 DEFERRED TAXATION

These comprise:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Deferred tax assets | 196,571 | 98,844 | 841 | 857 |
| Less: Deferred tax liabilities | (135,473) | (90,810) | (38,449) | (37,229) |
| | 61,098 | 8,034 | (37,608) | (36,372) |

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Opening balance | 8,034 | 17,572 | (36,372) | ( 7,203) |
| (Credited) charged to equity for the year (Note 20) | 1,289 | (51,531) | 447 | (17,867) |
| Credited (charged) to income for the year | 51,775 | 41,993 | ( 1,683) | (11,302) |
| Closing balance | 61,098 | 8,034 | (37,608) | (36,372) |

The amount credited to income for the year in respect of the Group includes $35.195 million (2010: $34.176 million) relating to continuing operations (see Note 34).

**SUPREME VENTURES LIMITED**

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

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

**Deferred Tax Assets**

The Group

| | Tax Losses $'000 | Vacation Leave Payable $'000 | Interest Payable $'000 | Unrealised Foreign Exchange Losses $'000 | Total $'000 |
|---|---|---|---|---|---|
| Balance at January 1, 2010 | 41,415 | 613 | - | 4,258 | 46,286 |
| Credited (charged) to income for the year | 56,164 | ( 205) | 857 | (4,258) | 52,558 |
| Balance at December 31, 2010 | 97,579 | 408 | 857 | - | 98,844 |
| Credited (charged) to income for the year | 96,732 | 1,011 | ( 16) | - | 97,727 |
| Balance at December 31, 2011 | 194,311 | 1,419 | 841 | - | 196,571 |

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

The Company

| | Unrealised Foreign Exchange Loss $'000 | Interest Payable $'000 | Total $'000 |
|---|---|---|---|
| Balance at January 1, 2010 | 12,759 | - | 12,759 |
| (Charged) credited to income for the year | (12,759) | 857 | (11,902) |
| Balance at December 31, 2010 | - | 857 | 857 |
| Charged to income for the year | - | ( 16) | ( 16) |
| Balance at December 31, 2010 | - | 841 | 841 |

**SUPREME VENTURES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2011**

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

**Deferred Tax Liabilities**

The Group

| | Revaluation of Property $'000 | Capital Allowance in Excess of Depreciation $'000 | Intangible Asset $'000 | Finance Lease $'000 | Interest Receivable $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Balance at January 1, 2010 | - | 14,181 | - | 14,133 | 400 | 28,714 |
| Charged to equity for the year | 51,531 | - | - | - | - | 51,531 |
| Charged (credited) to income for the year | - | ( 304) | - | 5,566 | 5,303 | 10,565 |
| Balance at December 31, 2010 | 51,531 | 13,877 | - | 19,699 | 5,703 | 90,810 |
| Credited to equity for the year | ( 1,289) | - | - | - | - | ( 1,289) |
| Charged (credited) to income for the year | - | 20,981 | 24,167 | 6,038 | (5,234) | 45,952 |
| Balance at December 31, 2011 | 50,242 | 34,858 | 24,167 | 25,737 | 469 | 135,473 |

The Company

| | Revaluation of Property $'000 | Capital Allowance in Excess of Depreciation $'000 | Interest Receivable $'000 | Total $'000 |
|---|---|---|---|---|
| Balance at January 1, 2010 | - | 19,881 | 81 | 19,962 |
| Charge to equity for the year | 17,867 | - | - | 17,867 |
| Credited to income for the year | - | ( 519) | (81) | ( 600) |
| Balance at December 31, 2010 | 17,867 | 19,362 | - | 37,229 |
| Credited to equity for the year | ( 447) | - | - | ( 447) |
| Charged to income for the year | - | 1,646 | 21 | 1,667 |
| Balance at December 31, 2011 | 17,420 | 21,008 | 21 | 38,449 |

**SUPREME VENTURES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2011**

## 13 OTHER ASSETS

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Balance, January 1 | 5,019 | 11,042 |
| Less: Amortisation | (5,019) | ( 6,023) |
| Balance, December 31 | - | 5,019 |

The amount represents tokens used in the gaming machines operated at the gaming lounge carried at cost less amortisation over three years.

## 14 INVENTORIES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 |
| Pin codes | 90,715 | 120,854 | 90,715 | 120,854 |
| Food and beverage | 11,098 | 13,929 | - | - |
| | 101,813 | 134,783 | 90,715 | 120,854 |

The cost of inventory recognised as an expense during the year for the Group was $2.14 billion (2010: $1.85 billion), and for the company was $2.04 billion (2010: $1.7 billion).

## 15 TRADE AND OTHER RECEIVABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 |
| Trade receivables | 329,642 | 293,767 | - | - |
| Less: Allowances for irrecoverable debts | ( 73,471) | ( 67,500) | - | - |
| | 256,171 | 226,267 | - | - |
| Other receivables and prepayments (see Note 15(e)) | 206,538 | 260,291 | 193,002 | 171,877 |
| | 462,709 | 486,558 | 193,002 | 171,877 |

(a) Included in trade receivables of the Group are amounts of $289 million (2010: $232 million) representing amounts receivable from the agents that support the lottery sales. The average credit periods for these receivables are 7 days. Balances outstanding for over 7 days are considered past due. Where agent balances are outstanding for over 90 days they are classified as delinquent and are provided for in full after 365 days as historical experience is such that receivables that are past due beyond this period are generally not recoverable.

The average credit period for the remaining balance in trade receivables is 30 days.

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

(b) Trade receivables above include amounts (see aged analysis below) that are past due as at the end of the reporting period but against which the group has not recognised an allowance for doubtful receivable because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or credit enhancement over these balances nor does it have a legal right of off-set against any amounts owed by the Group's counterparty.

| | The Group | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| (c) Ageing of past due but not impaired | | |
| 30 - 60 days | - | 36 |
| 60 - 90 days | - | 209 |
| Over 90 days | - | - |
| | - | 245 |

| | 2011 | 2010 |
|---|---|---|
| | $'000 | $'000 |
| (d) Movement in allowance for impairment | | |
| Balance at beginning of year | 67,500 | 55,620 |
| Impairment losses recognised | 5,971 | 11,880 |
| Balance at end of year | 73,471 | 67,500 |

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

(e) Other receivables includes amounts of $21.6 million (US$0.250 million), (2010: $70.8 million (US$0.830 million)) for the Group, and $100.2 million (2010: $54.1 million) for the company representing the current portion of the long-term receivables (see Note 9). The amount for the Group is recoverable in four quarterly instalments during the year ending December 2012. The amount for the company is recoverable based on an agreed repayment schedule.

## 16 DUE FROM (TO) RELATED PARTIES

| | The Company | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Prime Sports (Jamaica) Limited | 232,931 | 124,246 |
| Supreme Ventures Financial Services Limited | 2,761 | 196 |
| Big 'A' Track 2003 Limited | 21,428 | 46,551 |
| Supreme Ventures Lotteries Limited | (115,677) | 49,228 |
| | 141,443 | 220,221 |

**SUPREME VENTURES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2011**

## 17 CASH AND BANK BALANCES

(a) *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.

(b) *The Group*

Bank balances of the Group include interest bearing accounts of $897 million (2010: $693 million), including US$ foreign currency deposits of US$2,408,281 (2010: US$731,266). Interest rate on J$ deposits ranged from 1.5% to 6.75% (2010: 1.5% to 6.75%) and on US$ deposits from 0.15% to 1.25% (2010: 0.15% to 1.0%).

(c) *The Company*

Bank balances of the company include interest bearing accounts of $51.09 million (2010: $6.6 million), including foreign currency deposits of US$508,801. Interest rate on the J$ deposits ranges from 1.5% to 4% (2010: .5% to 4%) and interest on US$ deposits ranges from 0.75% to 1.25%.

## 18 SHARE CAPITAL

| | 2011 | 2010 |
|---|---|---|
| | $'000 | $'000 |
| Stated capital - January 1/December 31 | 1,967,183 | 1,967,183 |
| | No. of Shares | No. of Shares |
| Authorised capital - ordinary stocks at no par value | 3,000,000,000 | 3,000,000,000 |
| Issued capital - ordinary stocks at no par value | 2,637,254,926 | 2,637,254,926 |

## 19 CAPITAL RESERVE

This includes gains arising on the scheme of reorganisation and amalgamation of subsidiaries within the Group in 2008. The reserve is stated net of costs associated with the reorganisation and amalgamation and capital distributions.

## 20 REVALUATION RESERVE

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Balance at January 1 | 159,061 | - | 37,733 | - |
| Increase arising on revaluation of property | - | 210,592 | - | 55,600 |
| Deferred tax liability arising on revaluation | - | ( 51,531) | - | (17,867) |
| Deferred tax liability released to equity | 1,289 | - | 447 | - |
| Balance at December 31 | 160,350 | 159,061 | 38,180 | 37,733 |

Balance represents gain on revaluation of freehold land and buildings adjusted for effects of deferred tax. See also Note 5.

**SUPREME VENTURES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

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## 21 LONG-TERM LIABILITIES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| GTECH Global Services Corporation Limited US$ (2010: US$527,878) (Note 21 (a)) | - | 45,287 | - | 45,287 |
| Obligation under finance lease US$451,811 (2010: US$763,712) (Note 21 (b)) | 39,195 | 65,519 | - | - |
| Bank of Nova Scotia Jamaica Limited (Note 21 (c)) | 364,854 | 200,569 | 364,854 | 200,569 |
| | 404,049 | 311,375 | 364,854 | 245,856 |

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| These loans are repayable as follows: | | | | |
| Within one year | 214,605 | 118,614 | 175,410 | 91,856 |
| In the second to fifth year inclusive | 189,444 | 192,761 | 189,444 | 154,000 |
| | 404,049 | 311,375 | 364,854 | 245,856 |
| Included in the statement of financial position as: | | | | |
| Current liabilities | 214,605 | 118,614 | 175,410 | 91,856 |
| Long-term liabilities | 189,444 | 192,761 | 189,444 | 154,000 |

(a) GTECH Global Services Corporation Limited

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. The loan was fully repaid during the year.

(b) 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, when lease expires in 2012.

| | Minimum lease payment | | Present value of minimum lease payment | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Amounts payable under finance lease: | | | | |
| Within one year | 39,839 | 30,489 | 39,195 | 26,758 |
| In the second to fifth year inclusive | - | 39,397 | - | 38,761 |
| | 39,839 | 69,886 | 39,195 | 65,519 |
| Less: Future finance charges | ( 644) | ( 4,367) | - | - |
| Present value of lease obligation US$451,811 (2010:US$763,712) | 39,195 | 65,519 | 39,195 | 65,519 |

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

(c) Bank of Nova Scotia Jamaica Limited

The loan is repayable as follows:

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Within one year | 175,410 | 46,569 |
| In the second to fifth year | 189,444 | 154,000 |
| | 364,854 | 200,569 |

The non-revolving J$ loans obtained from the Bank of Nova Scotia Jamaica Limited (BNS) is repayable in quarterly installments over a period of five years. The interest on these loan ranges from 8.95% to 12.5%.

The BNS facility is secured as follows:

(i) Corporate guarantee by Prime Sports (Jamaica) Limited supported by first legal mortgage over commercial property located at Gloucester Avenue, Montego Bay in the parish of Saint James.

(ii) Cash flow support guarantee from Supreme Ventures Lotteries Limited in favour of Supreme Ventures Limited.

(iii) Adequate peril insurance for the full replacement values over the properties ((i) above) to be held as collateral with benefits ceded to the bank.

(iv) Corporate Guarantee issued by Supreme Ventures Lotteries Limited stamped for $468.134 million and to be endorsed by the Betting Gaming and Lotteries Commission (BGLC).

(v) Hypothecated term deposits stamped to cover $5.8 million.

## 22 TRADE AND OTHER PAYABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 |
| Trade payables | 304,808 | 273,135 | 211,979 | 241,336 |
| Service contractor fees | 161,749 | 287,459 | 8,566 | 8,719 |
| Contributions payable to CHASE Fund | 81,213 | 64,875 | - | - |
| Contributions payable to Betting, Gaming and Lotteries Commission | 16,678 | 15,262 | - | - |
| Government taxes payable | 26,903 | 26,574 | - | - |
| Other payables and accruals | 135,224 | 115,434 | 81,841 | 31,350 |
| | 726,575 | 782,739 | 302,386 | 281,405 |

## 23 PRIZE LIABILITIES

| | The Group | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Local lottery games ((a) below) | 113,383 | 119,388 |
| Multi-jurisdictional lottery game ((b) below) | 150,241 | 101,263 |
| Sports Betting ((c) below) | 677 | 573 |
| | 264,301 | 221,224 |

(a) Represents the prize liabilities associated with the local lottery games operated under licence by the subsidiary, Supreme Ventures Lotteries Limited (SVLL) including an amount accrued for the advertised jackpot of $60 million (2009: $50 million).

(b) SVLL commenced sale of tickets of the multi-jurisdictional Game 'Super Lotto' on August 18, 2009 (see also Note 1).

Under the rules of the Super Lotto game, and as agreed by BGLC, a certain percentage of revenue is recognised as a jackpot fund with a corresponding charge to expenses for settlement of the jackpot. The percentage since March 6, 2010 is 39.1136% and the percentage prior to March 6, 2010 was 39.6627%. This is with the intention that over a period of time there will be an accumulation of funds towards the settlement of the jackpot.

By an agreement dated September 23, 2009, (amended March 6, 2010), between GTECH Corporation (GTECH) and SVLL, GTECH has accepted the obligation to fund the unfunded portion of the jackpot liability of SVLL. As compensation to GTECH under this arrangement certain portion of game revenue is paid over to GTECH and is included in service fees as direct expenses. Resulting from this arrangement, SVLL has no further obligation for settlement of the jackpot prize liability and, accordingly, will not be recording additional prize expenses other than amounts recognised as a reserve on an ongoing basis based on revenue. (See also Note 42(c)).

(c) Represents the prize liabilities associated with sports betting operated under licence by subsidiary, Big 'A' Track 2003 Limited.

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## 24 REVENUE

(a) Analysis of revenue for continuing operations is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Cash Pot | 18,865,632 | 16,798,346 | - | - |
| Lucky 5 | 373,233 | 510,111 | - | - |
| Dollaz | 219,238 | 280,257 | - | - |
| Lotto | 1,042,714 | 1,159,404 | - | - |
| Pick 3 | 2,864,402 | 2,683,181 | - | - |
| Instant | 61,725 | 80,345 | - | - |
| Super Lotto (See (b) below) | 469,466 | 562,488 | - | - |
| Pick 2 (commenced November 2010) | 720,297 | 63,766 | - | - |
| Sports Betting (commenced January 2010) | 99,932 | 43,093 | - | - |
| Unclaimed prizes | 111,600 | 68,801 | - | - |
| Gaming revenue (net wins) | 697,790 | 862,439 | - | - |
| Hospitality and related revenue | 108,161 | 118,981 | - | |
| Management fees | | - | 120,000 | 165,000 |
| Royalties | | - | 57,355 | 104,012 |
| Pin codes | 2,268,306 | 1,980,846 | 2,268,306 | 1,980,846 |
| Others | 59,132 | 55,022 | 18,017 | 22,666 |
| | 27,961,628 | 25,267,080 | 2,463,678 | 2,272,524 |

(b) On August 18, 2009 the Betting, Gaming and Lotteries Commission (BGLC) gave an approval for the subsidiary to sell lottery tickets of the Super Lotto game in Jamaica.

The Super Lotto game is a multi-jurisdictional game with the following countries being a party to the Super Lotto agreement entered into by the company on July 27, 2009: Anguilla, Antigua and Barbuda, Bermuda, St. Kitts and Nevis, Barbados, St. Maarten, United States Virgin Islands, Dominican Republic and Jamaica. Revenue from ticket sales in Jamaica is recorded as income of the Group.

(c) During the current year the MoneyGram remittance service and foreign exchange trading operations were discontinued. Prior year revenues in relation to these operations have been reclassified and stated as discontinued operations (as described in Note 35).

## 25 SEGMENT REPORTING

Information reported to the Chief Operating Decision Maker for the purposes of resource allocation and assessment of segment performance focuses on the types of services provided.

The Group's reportable segments under IFRS 8 are therefore as follows:

| | | | |
|---|---|---|---|
| (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) | Sports Betting | - | International sport events operated through the agent's network. |
| (d) | Pin codes | - | Sale of pin codes through the agents' network, agents' service fees, agents' reconnection fees. |
| (e) | Other | - | All other income. |

During the current year the Group discontinued the financial services segment which included money from remittance services and foreign exchange dealer operations. The segment information does not include any amounts for this discontinued operations, which is described more in Note 35.

The Group's customer base currently spans several geographical areas. However, all its segment's operations are from the same country of domicile and as such all its revenues generated from external customers and non-current assets are attributed to the same geographical area.

The Group's operations are located solely in Jamaica.

**SUPREME VENTURES LIMITED**

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25 **SEGMENT REPORTING FROM CONTINUING OPERATIONS (Cont'd)**

| | 2011 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Lottery | Gaming and Hospitality | Sports Betting | Pin Codes | Other | Eliminations | Group |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **External revenue** | 24,728,307 | 805,951 | 99,932 | 2,268,306 | 59,132 | - | 27,961,628 |
| Inter-segment revenue | - | 27,903 | - | - | 177,355 | ( 205,258) | - |
| Total revenue | 24,728,307 | 833,854 | 99,932 | 2,268,306 | 236,487 | ( 205,258) | 27,961,628 |
| **Result** | | | | | | | |
| Segment result | 1,022,466 | ( 168,906) | (129,190) | 74,783 | 63,575 | - | 862,728 |
| Interest income | | | | | | | 46,376 |
| Net foreign exchange loss | | | | | | | 7,666 |
| Other gains and losses | | | | | | | 195,391 |
| Finance cost | | | | | | | ( 48,600) |
| Profit before taxation continuing operations | | | | | | | 1,063,561 |
| Taxation | | | | | | | ( 443,294) |
| **Profit for the year (continuing operations)** | | | | | | | 620,267 |
| **Other information** | | | | | | | |
| Capital additions | 126,251 | 15,514 | 81,580 | - | 1,095 | - | 224,440 |
| Depreciation, amortisation and write-offs property, plant and equipment | 39,699 | 165,442 | 15,696 | - | - | - | 220,837 |
| **Balance sheet** | | | | | | | |
| Assets | | | | | | | |
| Segment assets | 3,976,351 | 3,361,999 | 553,610 | 111,437 | 121,782 | (3,060,233) | 5,064,946 |
| Consolidated total assets | | | | | | | 5,064,946 |
| **Liabilities** | | | | | | | |
| Segment liabilities | 1,541,602 | 1,301,638 | 86,930 | 211,979 | 48,466 | (1,608,926) | 1,581,689 |
| Consolidated total liabilities | | | | | | | 1,581,689 |

**SUPREME VENTURES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2011**

## 25 SEGMENT REPORTING FROM CONTINUING OPERATIONS (Cont'd)

| | 2010 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Lottery | Gaming and Hospitality | Sports Betting | Pin Codes | Other | Eliminations | Group |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **External revenue** | 22,206,699 | 981,420 | 43,093 | 1,980,846 | 55,022 | - | 25,267,080 |
| Inter-segment revenue | - | 22,666 | - | - | 237,068 | ( 259,734) | - |
| Total revenue | 22,206,699 | 1,004,086 | 43,093 | 1,980,846 | 292,090 | ( 259,734) | 25,267,080 |
| **Result** | | | | | | | |
| Segment result | 774,531 | ( 71,698) | ( 90,077) | 55,280 | 55,020 | - | 723,056 |
| Interest income | | | | | | | 71,631 |
| Net foreign exchange loss | | | | | | | ( 7,158) |
| Other gains and losses | | | | | | | ( 15,056) |
| Finance cost | | | | | | | ( 41,608) |
| Profit before taxation | | | | | | | 730,865 |
| Taxation | | | | | | | ( 292,138) |
| **Profit for the year (continuing operations)** | | | | | | | 438,727 |
| **Other information** | | | | | | | |
| Capital additions | 20,910 | 132,608 | 28,710 | - | 8,258 | - | 190,486 |
| Depreciation, amortisation and write-offs property, plant and equipment | 29,690 | 168,939 | 4,543 | - | - | - | 203,172 |
| Revaluation of property | 55,600 | 154,992 | - | - | - | - | 210,592 |
| **Balance sheet** | | | | | | | |
| Assets | | | | | | | |
| Segment assets | 3,143,893 | 3,562,019 | 214,152 | 120,854 | 126,686 | (2,528,238) | 4,639,366 |
| Consolidated total assets | | | | | | | 4,639,366 |
| **Liabilities** | | | | | | | |
| Segment liabilities | 938,808 | 1,320,486 | 56,804 | 241,335 | 34,835 | (1,276,930) | 1,315,338 |
| Consolidated total liabilities | | | | | | | 1,315,338 |

**SUPREME VENTURES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2011**

## 26 DIRECT EXPENSES

(a) Analysis of direct expenses for continuing operations is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Lottery and Sports betting prizes | 17,175,967 | 15,352,896 | | - |
| Service contractor fees | 1,276,755 | 1,492,390 | | - |
| Agents' commissions | 1,221,855 | 1,097,635 | | - |
| Good cause fees | 1,060,607 | 1,011,098 | | - |
| Lottery and gaming tax | 1,381,176 | 1,284,078 | | - |
| Contributions to BGLC | 264,099 | 243,389 | | - |
| Direct expense - hospitality and related services | 85,700 | 77,746 | | - |
| Pin codes | 2,038,115 | 1,775,838 | 2,038,115 | 1,775,838 |
| Commissions - pin codes (cost) | 155,409 | 149,728 | 155,409 | 149,728 |
| | 24,659,683 | 22,484,798 | 2,193,524 | 1,925,566 |

During the current year the MoneyGram remittance and Cambio operation were discontinued. Prior year direct expenses in relation to this operation have been reclassified and stated as discontinued operations (as described in Note 35).

(b) Lottery and Sports betting 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.

(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, Super 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 2 and 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.

(vii) Sports Betting – All prizes are fixed. The prize won is based on the amount wagered multiplied by the odds of the selected event(s) printed on the ticket, which were the valid ones while it was played.

## 26 DIRECT EXPENSES (Cont'd)

(c) Service contractor fees

(i) 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.

(ii) Intralot

Intralot has been contracted for the provision of technical services for sports betting activities. Intralot whose primary business is providing online sports betting systems, terminals, networks and services to the sports betting industry provide these services to operate the sports betting activities. Intralot receives a service fee calculated using an agreed fee percentage based on weekly net sales after prizes, agents' commission and relevant government taxes.

(d) Agents' commission

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

(e) Good cause fees

Under the terms of the licence and approvals granted by the Betting, Gaming & Lotteries Commission (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, Super Lotto, Instant Ticket and Prime Time Bingo | - | 7.5% of gross ticket sales |
| Pick 2 and Pick 3 | - | 4.17% of gross ticket sales |
| Sports Betting | - | 1% of net ticket sales after prizes |
| Video Lottery Terminals | - | 1% of meter net wins |

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

(f) Lottery and gaming 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 2 and Pick 3 and 23% of weekly gross revenues is paid for Dollaz!. The tax for Lotto and Super 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 6.5% of meter net wins on a monthly basis, Sports Betting 7% of gross profit (sales net of prizes).

(g) Contributions to Betting, Gaming and Lotteries Commission

In accordance with conditions attached to the licence and approval granted by BGLC 1% of gross lottery and 1% of Sports Betting net 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.

**SUPREME VENTURES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2011**

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

(h) Pin codes

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

(i) Commission - pin codes cost

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

27 **OPERATING EXPENSES**

Analysis of operating expenses for continuing operations is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Staff costs (Note 28) | 667,576 | 588,511 | 180,825 | 128,996 |
| Rental and utilities | 217,857 | 177,793 | 12,211 | 6,371 |
| Marketing and business development | 477,274 | 371,336 | 4,763 | 1,059 |
| Professional fees | 238,464 | 128,135 | 43,801 | 42,577 |
| Draw expenses | 132,407 | 101,320 | - | - |
| Security | 76,879 | 67,602 | 6,076 | 8,335 |
| GCT irrecoverable | 100,404 | 87,063 | - | - |
| Licences and other fees | 26,381 | 18,258 | 19 | 191 |
| Depreciation, amortisation and write-off property, plant and equipment | 220,837 | 203,172 | 40,711 | 46,562 |
| Bank charges | 22,709 | 33,097 | 518 | 12,224 |
| Others | 258,429 | 282,939 | 45,611 | 22,391 |
| | 2,439,217 | 2,059,226 | 334,535 | 268,706 |

During the current year the MoneyGram remittance service and foreign exchange trading operations were discontinued. Prior year operating expenses in relation to these operations have been reclassified and stated as discontinued operations (as described in Note 35).

28 **STAFF COSTS**

Analysis of staff costs for continuing operations is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Salaries and other employee benefits including redundancy | 611,535 | 539,213 | 170,328 | 119,872 |
| Statutory contributions | 49,555 | 44,921 | 10,158 | 8,807 |
| Pension contributions | 6,486 | 4,377 | 339 | 317 |
| | 667,576 | 588,511 | 180,825 | 128,996 |

## 29 NET FOREIGN EXCHANGE GAIN (LOSS)

Analysis of net foreign exchange gain (loss) for continuing operations is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Foreign exchange gain | 7,784 | 11,303 | 1,349 | 5,521 |
| Foreign exchange loss | ( 118) | (18,461) | ( 24) | (1,427) |
| **NET GAIN (LOSS)** | 7,666 | 7,158 | 1,325 | 4,094 |

## 30 FINANCE COSTS

Analysis of finance costs for continuing operations is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Interest on bank overdraft and long-term loans | 44,449 | 33,330 | 44,449 | 33,330 |
| Interest on obligations under finance lease | 4,151 | 8,278 | - | - |
| | 48,600 | 41,608 | 44,449 | 33,330 |

## 31 OTHER GAINS AND LOSSES

Analysis of other gains and losses for continuing operations is as follows:

Group

This amount includes an early renewal fee of US$1.75M (J$149.391M) in respect of the successful completion of a new contractual agreement with GTECH Corporation, the technology provider of the lottery gaming network. The balance of $46 million represent draw down on the Lucky Five reserve as approved by the Betting, Gaming and Lotteries Commission.

The amount in respect of 2010 represents impairment adjustment in respect of an unquoted investment. (See also Note 10).

The Company

The amount represents loss of purchased goodwill attributable to financial services cash generating unit discontinued during the year. The amount in respect of the prior year represents impairment adjustment of an unquoted investment.

## 32 PROFIT BEFORE TAXATION

Analysis of profit before taxation for continuing operations is as follows:

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Income | | | | |
| Interest | 46,376 | 71,631 | 92,069 | 75,824 |
| Expenses | | | | |
| Directors' emoluments: | | | | |
| Fees | 19,194 | 16,851 | 19,194 | 16,851 |
| Management remuneration | 162,709 | 107,257 | 119,185 | 71,723 |
| Audit fees | 17,300 | 16,550 | 5,500 | 5,100 |
| Depreciation of property and equipment | 194,884 | 183,558 | 38,871 | 45,878 |
| Amortisation of intangible assets | 25,953 | 12,217 | 840 | 684 |
| Amortisation of other assets | 5,019 | 6,023 | - | - |
| Finance costs | 48,600 | 41,608 | 44,449 | 33,330 |

## 33 RELATED PARTY

(a) A party is considered to be related if:

(i) directly, or indirectly through one or more intermediaries, the party:
- controls, is controlled by, or is under common control with, the Group (this includes parent, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives it significant influence over the Group; or
- has joint control over the Group;

(ii) the party is an associate of the Group;
(iii) the party is a joint venture in which the Group is a venturer;
(iv) the party is a member of the key management personnel of the Group;
(v) the party is a close member of the family of any individual referred to in (i) or (iv);
(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Related party transactions and balances are recognised and disclosed in the financial statements.

Transactions with related parties are recorded in accordance with the normal policies of the Group at transaction dates.

**SUPREME VENTURES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2011**

33 **RELATED PARTY (Cont'd)**

(b) *Trading transactions with related parties*

During the period, the company had the following significant transactions

| | 2011 | 2010 |
|---|---|---|
| | $'000 | $'000 |
| Supreme Ventures Financial Services Limited | | |
| Foreign currency purchases | - | 140,483 |
| Royalty fee | 897 | 1,858 |
| Prime Sports (Jamaica) Limited | | |
| Machine rental | 18,682 | 22,666 |
| Interest income | 86,598 | 71,670 |
| Supreme Ventures Lotteries Limited | | |
| Management fees | 120,000 | 165,000 |
| Royalty fee | 56,457 | 102,143 |

(c) *Balances with related parties*

Notes 9 and 16 to the financial statements include related party long-term receivable and other amounts due from related parties respectively.

(d) *Loans of key management personnel*

| | The company | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Loan balances | 65,360 | 78,051 |

The company has provided its key management personnel with short-term loans in accordance with policy on granting loans to the company's employees. The amounts provided during the period amounted to $19.89 million (2010: $98.081 million).

(e) *Compensation* of *key management personnel*

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Short-term benefits | 183,289 | 112,897 | 139,765 | 77,363 |
| Post employment benefits | 2,059 | 1,726 | 326 | 313 |
| | 185,348 | 114,623 | 140,091 | 77,676 |
| Professional fees paid to directors | 77,610 | 28,670 | 77,610 | 28,670 |

**SUPREME VENTURES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2011**

34 **TAXATION**

Analysis of taxation for continuing operations is as follows:

(a) The taxation for the year includes:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Current tax charge: | | | | |
| Income tax at 33⅓% of taxable profits | 477,526 | 324,812 | - | 42,512 |
| Under provision in previous period | 963 | 1,502 | 963 | 5,620 |
| Deferred tax adjustment (Note 12) | ( 35,195) | ( 34,176) | 1,683 | 11,302 |
| | 443,294 | 292,138 | 2,646 | 59,434 |

(b) The charge is reconciled to the profit as per the statement of comprehensive income as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Profit before taxation | 1,063,561 | 730,865 | 444,601 | 729,784 |
| Tax at the domestic income tax rate of 33⅓% | 354,520 | 243,621 | 148,200 | 243,261 |
| Tax effect of expenses disallowed for tax purposes | 53,691 | 12,976 | 8,447 | 4,460 |
| Net deferred tax asset not recognised (see (d) below) | 72,993 | 37,354 | - | - |
| Tax effect on non-taxable income | ( 54,436) | - | (155,301) | (206,667) |
| Under provision previous year | 963 | 1,502 | 963 | 5,620 |
| Tax effect on private motor vehicles | 15,174 | - | - | - |
| Tax effect of write back of unrealised exchange gain (loss) | - | ( 5,688) | - | 12,759 |
| Other | 389 | 2,373 | 337 | 1 |
| | 443,294 | 292,138 | 2,646 | 59,434 |

(c) Tax losses of subsidiaries amounting to approximately $583 million (subject to agreement with the Commissioner, Taxpayer Audit and Assessment) are available for set-off against future taxable profits of the subsidiaries.

**SUPREME VENTURES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2011**

## 34 TAXATION FROM CONTINUING OPERATIONS (Cont'd)

(d) Net deferred tax asset not recognised represents the effect of deferred tax on losses of a subsidiary currently operating at a loss.

## 35 DISCONTINUED OPERATION

(a) Discontinued operations - Financial services

As part of management's effort to streamline its operations a strategic decision was taken to sell the MoneyGram Operations and to surrender the Cambio licence of its subsidiary, Supreme Ventures Financial Service Limited, which was effective December 9, 2011. As a result, these operations have been treated as a discontinued operation in these financial statements. The financial position is treated as a going concern as it will continue to operate as a MoneyGram sub-agent and will also seek other revenue generating activities.

| | 2011<br>$'000 | 2010<br>$'000 |
|---|---|---|
| Revenue | 147,729 | 152,184 |
| Direct expenses | ( 33,287) | ( 33,543) |
| Gross profit | 114,442 | 118,641 |
| Operating expenses | (163,450) | (139,217) |
| Loss from operations | ( 49,008) | ( 20,576) |
| Other gains and losses (see (b) below) | 23,037 | - |
| Interest income | 729 | 863 |
| Net foreign exchange loss | ( 5,279) | ( 5,564) |
| **Loss before taxation** | ( 30,521) | ( 25,277) |
| Taxation | 16,580 | 7,817 |
| **Loss for the year from discontinued operations** | ( 13,941) | ( 17,460) |

(b) Other gains and losses

| | $'000 |
|---|---|
| Proceed from sale of MoneyGram operation | 38,000 |
| Impairment of goodwill attributed to financial services | (14,963) |
| | 23,037 |

## 36 NET PROFIT

(a) Dealt with in the financial statements of:

| | 2011<br>$'000 | 2010<br>$'000 |
|---|---|---|
| The company (see (b) below) | ( 33,045) | 50,350 |
| The subsidiaries | 639,371 | 370,917 |
| | 606,326 | 421,267 |

(b)

| | 2011 | 2010 |
|---|---|---|
| Profit per company's statement of comprehensive income | 441,955 | 670,350 |
| Less: Dividend received - subsidiary | (475,000) | (620,000) |
| Net profit (as above) | ( 33,045) | 50,350 |

**SUPREME VENTURES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2011**

## 37 RETAINED EARNINGS

This is reflected in the financial statements of:

| | 2011<br>$'000 | 2010<br>$'000 |
|---|---|---|
| The company | 1,018,162 | 1,024,593 |
| The subsidiaries | 275,076 | 110,705 |
| | 1,293,238 | 1,135,298 |

## 38 EARNINGS PER STOCK

From continuing and discontinued operations

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.

| | 2011<br>$'000 | 2010<br>$'000 |
|---|---|---|
| Net profit attributable to shareholders ('000) | 606,326 | 421,267 |
| Weighted average number of ordinary stock units in issue ('000) | 2,637,254 | 2,637,254 |

| | 2011<br>$'000 | 2010<br>$'000 |
|---|---|---|
| From continuing operations | 24 | 17 |
| From discontinued operations | ( 1) | ( 1) |
| Total basic earnings per share | 23 | 16 |

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

## 39 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 28 on staff costs.

## 40 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:

| | The Group | |
|---|---|---|
| | 2011<br>$'000 | 2010<br>$'000 |
| Within 1 year | 86,618 | 15,262 |
| Year 2 and 3 | 162,783 | 39,079 |
| | 249,401 | 54,341 |

## 40 OPERATING LEASE ARRANGEMENTS (Cont'd)

| | The Group | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Minimum lease payment under operating lease recognised as an expense in the year | 71,779 | 54,335 |

## 41 DISTRIBUTIONS

| | | 2011 | 2010 |
|---|---|---|---|
| | | $'000 | $'000 |
| a. Dividend declared and paid | | | |
| Final 2010 dividend paid July 12, 2010 | - 14¢ | | 369,216 |
| First interim dividend paid July 12, 2011 | - 7¢ | 184,658 | - |
| Second interim dividend paid September 12, 2011 | - 5¢ | 131,864 | - |
| Third interim dividend paid December 29, 2011 | - 5¢ | 131,864 | - |
| | | 448,386 | 369,216 |
| b. Dividend from subsidiary | | 475,000 | 620,000 |

Represents amounts received from the company's wholly-owned subsidiary, Supreme Ventures Lotteries Limited.

## 42 CONTINGENCIES AND COMMITMENTS

(a) Contingencies - litigations

On December 15, 2008 a civil suit was filed by Epsilon Global Equities Limited (Epsilon) citing as defendants the company and its founding shareholders.

The matter was settled during the early part of the year, with a judgment in favour of the shareholders and the company. However, the attorney representing Epsilon appealed the judgment. It is expected that the appeal will be heard by December 2012. Attorney's representing the defendants expect to succeed the hearing and that the appeal will not result in a financial liability to the company.

(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, 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 capitalisation 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.

## 42 CONTINGENCIES AND COMMITMENTS (Cont'd)

(c) Contingency - Big 'A' Track 2003 Limited

In accordance with requirements of the Betting, Gaming and Lotteries Act to grant Bookmakers permit, the subsidiary Big 'A' Track 2003 Limited executed a performance bond guarantee arrangement with Bank of Nova Scotia Jamaica Limited (BNS) for an amount of $25.0 million. Under the said performance bond covering the period April 14, 2011 to April 13, 2015, BNS would pay on demand any sums which may from time to time be demanded by the Betting, Gaming and Lotteries Commission up to a maximum aggregated sum of $25.0 million.

The bank guarantee is secured by a hypothecated term deposit of $25.0 million of the subsidiary, which is included in the Group's cash and bank balances.

(d) Contingencies - Super Lotto Jackpot Liability

As required under Condition 7 attached to the approval granted by Betting, Gaming and Lotteries Commission (BGLC) to promote the multijurisdictional Game 'Super Lotto', the company as the applicant has made arrangements for a stand-by financing facility of $600.0 million from Bank of Nova Scotia Jamaica Limited. Under the said stand-by facility which expires on December 31, 2012, BGLC has been identified as the beneficiary in order to ensure that a super lotto jackpot winner in Jamaica is settled with the prize money and also to ensure that the necessary taxes on such a prize payment is settled with the revenue authorities in Jamaica.

(e) 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 $19.2 million falls due for payment each year.

(f) Commitments - other

Commitments in respect of sponsorship agreements are as follows:

| Year | $'000 |
|---|---|
| 2012 | 69,650 |

## 43 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT

43.1 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 recognised, in respect of each class of financial assets, financial liabilities and equity instruments are disclosed in Note 3 to the financial statements.

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

43.2 Categories of financial instruments

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| **Financial assets** | | | | |
| Loans and other receivables (including cash and cash equivalents) | 2,126,799 | 1,650,564 | 1,390,559 | 1,395,827 |
| Available-for-sale investments | 1,883 | 1,883 | 1,883 | 1,883 |
| | 2,128,682 | 1,652,447 | 1,392,442 | 1,397,710 |
| **Financial liabilities** | | | | |
| Other financial liabilities at amortized cost | 1,394,925 | 1,277,036 | 667,240 | 520,152 |

43.3 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 minimise potential adverse effects on the group's financial performance.

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

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.

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

### 43.4 Credit risk management

#### 43.4.1 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 from receivables of lottery sales and cash and bank balances (see below). 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.

| | The Group | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Lottery receivables | 289,829 | 232,318 |
| Cash and bank balances | 1,418,477 | 883,921 |
| | 1,708,306 | 1,116,239 |

*The company*

The company's maximum exposure to credit risk arises mainly from cash and bank balances amounting to $164.454 million (2010 - $72.789 million)

#### 43.4.2 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.

#### 43.4.3 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.

**SUPREME VENTURES LIMITED**

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

### 43.5 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.

#### 43.5.1 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.

#### 43.5.2 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.

| | The Group | | | | |
|---|---|---|---|---|---|
| | Weighted average effective interest rate % | Within 3 Months $'000 | 3 months to 1 year $'000 | 1 to 5 Years $'000 | Total $'000 |
| 2011 | | | | | |
| Financial assets | | | | | |
| Non-interest bearing | | 915,128 | - | 1,883 | 917,011 |
| Variable interest rate instruments | 0.56 | 463 | 1,415 | 339,899 | 341,777 |
| Fixed interest rate instruments | 3.02 | 876,218 | - | - | 876,218 |
| | | 1,791,809 | 1,415 | 341,782 | 2,135,006 |
| Financial liabilities | | | | | |
| Non-interest bearing | | 990,876 | - | - | 990,876 |
| Interest bearing loan fixed rate | 10.46 | 168,175 | 74,731 | 256,021 | 498,927 |
| | | 1,159,051 | 74,731 | 256,021 | 1,489,803 |

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

### 43.5 Liquidity risk (Cont'd)

#### 43.5.2 Liquidity and interest rate tables (Cont'd)

| | The Group (Cont'd) | | | | |
|---|---|---|---|---|---|
| | Weighted average effective interest rate % | Within 3 Months $'000 | 3 months to 1 year $'000 | 1 to 5 Years $'000 | Total $'000 |
| 2010 | | | | | |
| Financial assets | | | | | |
| Non-interest bearing | | 574,815 | - | 1,883 | 576,698 |
| Variable interest rate instruments | 4.79 | 189,359 | 113,719 | 151,538 | 454,616 |
| Fixed interest rate instruments | 4.04 | 180,392 | 512,717 | - | 693,109 |
| | | 944,566 | 626,436 | 153,421 | 1,724,423 |
| Financial liabilities | | | | | |
| Non-interest bearing | | 968,229 | - | - | 968,229 |
| Interest bearing loan fixed rate | 6.32 | 69,174 | 68,416 | 282,087 | 419,677 |
| | | 1,037,403 | 68,416 | 282,087 | 1,387,906 |

| | 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 |
| 2011 | | | | | | |
| Financial assets | | | | | | |
| Non-interest bearing | | 444,932 | - | - | 1,883 | 446,815 |
| Fixed interest rate instruments | 7.69 | 133,407 | 93,430 | 499,893 | 1,284,218 | 2,010,948 |
| | | 578,339 | 93,430 | 499,893 | 1,286,101 | 2,457,763 |
| Financial liabilities | | | | | | |
| Non-interest bearing | | 302,386 | - | - | - | 302,386 |
| Fixed interest bearing loan | 10.80 | 128,327 | 74,731 | 256,021 | - | 459,079 |
| | | 430,723 | 74,731 | 256,021 | - | 761,465 |
| 2010 | | | | | | |
| Financial assets | | | | | | |
| Non-interest bearing | | 388,731 | - | 1,883 | - | 390,614 |
| Fixed interest rate instruments | 5.55 | 60,713 | 100,332 | 482,945 | 1,342,703 | 1,986,693 |
| | | 449,444 | 100,332 | 484,828 | 1,342,703 | 2,377,307 |
| Financial liabilities | | | | | | |
| Non-interest bearing | | 276,867 | - | - | - | 276,867 |
| Fixed interest bearing loan | 12.79 | 64,320 | 53,336 | 232,155 | - | 349,811 |
| | | 341,187 | 53,336 | 232,155 | - | 626,678 |

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

### 43.6 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.

#### 43.6.1 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:

**SUPREME VENTURES LIMITED**

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

### 43.6 Market risk (Cont'd)

#### 43.6.1 Foreign currency risk (Cont'd)

The Group

2011

| | USD | | CDN | | GBP | | EUR | | KYD | |
|---|---|---|---|---|---|---|---|---|---|---|
| | US$ | J$ Equiv. | Cdn$ | J$ Equiv. | £ | J$ Equiv. | € | J$ Equiv. | Kyd$ | J$ Equiv. |
| | '000 | '000 | '000 | '000 | '000 | '000 | '000 | '000 | '000 | '000 |
| Total assets | 6,377 | 550,228 | 1 | 88 | 4 | 480 | - | - | - | - |
| Total liabilities | ( 492) | ( 42,640) | - | - | - | - | - | - | - | - |
| Net exposure | 5,885 | 507,588 | 1 | 88 | 4 | 480 | - | - | - | - |

2010

| | USD | | CDN | | GBP | | EUR | | KYD | |
|---|---|---|---|---|---|---|---|---|---|---|
| | US$ | J$ Equiv. | Cdn$ | J$ Equiv. | £ | J$ Equiv. | € | J$ Equiv. | Kyd$ | J$ Equiv. |
| | '000 | '000 | '000 | '000 | '000 | '000 | '000 | '000 | '000 | '000 |
| Total assets | 6,042 | 515,180 | 15 | 1,228 | 8 | 1,039 | 1 | 93 | 1 | 3 |
| Total liabilities | (1,332) | (114,482) | - | - | - | - | - | - | - | - |
| Net exposure | 4,710 | 400,698 | 15 | 1,228 | 8 | 1,039 | 1 | 93 | 1 | 3 |

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

### 43.6 Market risk (Cont'd)

#### 43.6.1 Foreign currency risk (Cont'd)

| | The Company | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | USD | | USD | |
| | US$ '000 | J$ Equiv. '000 | US$ '000 | J$ Equiv. '000 |
| Total assets | 509 | 44,063 | 51 | 4,357 |
| Total liabilities | - | - | (528) | (45,528) |
| Net exposure | 509 | 44,063 | (477) | (41,171) |

#### 43.6.2 Foreign currency sensitivity

The Group's sensitivity to a 1% increase/decrease in the Jamaican dollar against the following currencies USD, CDN, KYD, GBP and Euro are demonstrated below and represent management's assessment of the possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust the translation at period end for a 1% change in the foreign currency rates.

The sensitivity of the 1% increase/decrease in the Jamaican dollar on the foreign currency exposure is reflected below (2010: 5% increase/decrease):

| | 2011 Increase/decrease 1% $'000 | 2010 Increase/decrease 5% $'000 |
|---|---|---|
| USD | 5,076 | 20,035 |
| CDN | 1 | 61 |
| GBP | 5 | 52 |
| Euro | - | 5 |
| | 5,082 | 20,153 |

The company

The sensitivity of the company to a 1% increase/decrease in the Jamaican dollar on the net United States dollar exposure would be $0.440 million (2010: 5% increase/decrease - $2.05 million).

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

43.6 Market risk (Cont'd)

43.6.3 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 utilising 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 assets and financial liabilities are detailed in liquidity risk management (Note 43.5.2).

43.6.4 Interest rate risk management

The Group's and the company's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

Interest rate sensitivity has been determined based on the exposure to interest rates for the Group's long-term loan receivable and short-term deposits at the end of reporting period as these are substantially the interest sensitive instrument impacting financial results. For floating rate assets, the analysis assumes the amount of asset outstanding at the statement of financial position date was outstanding for the whole period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates. In 2010 the assumption was 200 basis point increase and 100 basis point decrease.

If market interest rates had been 100 basis points higher or lower and all other variables were held constant:

| | The Group | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Effect on net surplus increase/ decrease of 100 basis point | 3,380 | - |
| Effect on net surplus increase 200 basis point | - | 7,950 |
| Effect on net surplus decrease 100 basis point | - | (3,975) |

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

### 43.7 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.

### 43.8 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 recognised 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 the end of the reporting period. 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 realise 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 amortised 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 less impairment adjustments as stated in Note 10.

(d) The carrying value of long-term liabilities approximate the fair values as these loans are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of market rates for similar loans.

## 44 SUBSEQUENT EVENT

Subsequent to December 31, 2011, the company commenced the process to delist its shares from the Trinidad and Tobago Stock Exchange.

Games people love to play...and more
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