AUDITED FINANCIAL STATEMENTS
31ST DECEMBER 2012

SUPREME VENTURES LIMITED

YEAR ENDED DECEMBER 31, 2012

CONTENTS

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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 76, which comprise the Group's and the Company's statements of financial position as at December 31, 2012, 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

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Report on the financial statements (Cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at December 31, 2012, 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 27, 2013

SUPREME VENTURES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2012

	Notes	2012 $'000	2011 $'000
ASSETS			
Non-current assets			
Property and equipment	5	2,132,985	1,965,202
Goodwill	6	571,681	571,681
Other intangible assets	7	102,961	131,455
Long-term receivable	9	333,665	316,407
Available-for-sale investments	10	14,759	1,883
Investment in joint venture	11	34,221	34,221
Deferred tax assets	12	315,248	61,098
Other assets	13	5,908	-
		3,511,428	3,081,947
Current assets			
Inventories	14	48,418	101,813
Trade and other receivables	16	610,582	462,709
Cash and bank balances	17	1,660,455	1,418,477
		2,319,455	1,982,999
Total assets		5,830,883	5,064,946
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	18	1,967,183	1,967,183
Capital reserves	19	62,486	62,486
Revaluation reserves	20	237,163	160,350
Retained earnings	37	1,755,893	1,293,238
		4,022,725	3,483,257
Non-current liabilities			
Long-term liabilities	21	216,555	189,444
Current liabilities			
Trade and other payables	22	968,529	726,575
Current portion of long-term liabilities	21	142,708	214,605
Prizes liabilities	23	337,642	264,301
Income tax payable		142,724	186,764
		1,591,603	1,392,245
Total equity and liabilities		5,830,883	5,064,946

The Notes on Pages 10 to 76 form an integral part of the financial statements.

The financial statements on Pages 2 to 76 were approved and authorised for issue by the Board of Directors on February 27, 2013, 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, 2012

	Notes	2012 $'000	2011 $'000
Continuing operations			
Revenue	24	29,726,146	27,961,628
Direct expenses	26	(25,710,180)	(24,659,683)
Gross profit		4,015,966	3,301,945
Operating expenses	27	(2,657,317)	(2,439,217)
Interest income		53,098	46,376
Net foreign exchange gain	29	35,945	7,666
Finance costs	30	(39,791)	(48,600)
Other gains and losses	31	42,000	195,391
Profit before taxation from continuing operations	32	1,449,901	1,063,561
Taxation	34	(376,880)	(443,294)
Profit for the year from continuing operations		1,073,021	620,267
Discontinued operations			
Loss for the year from discontinued operations	35	(3,797)	(13,941)
Profit for the year	36	1,069,224	606,326
Other comprehensive income			
Gain on revaluation of property		82,792	-
Deferred tax relating to other comprehensive income		(5,979)	1,289
Other comprehensive income for the year, net of tax		76,813	1,289
Total comprehensive income for the year		1,146,037	607,615
Earnings per stock	38		
From continuing and discontinued operations			
Basic		41 Cents	23 Cents
From continuing operations			
Basic		41 Cents	24 Cents

The Notes on Pages 10 to 76 form an integral part of the financial statements.

SUPREME VENTURES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2012

	Note	Share Capital $'000	Capital Reserves $'000	Revaluation Reserves $'000	Retained Earnings $'000	Total $'000
Balance at January 1, 2011		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
Profit for the year		-	-	-	1,069,224	1,069,224
Other comprehensive income for the year, net of tax		-	-	76,813	-	76,813
Total comprehensive income for the year		-	-	76,813	1,069,224	1,146,037
Dividend paid	41(a)	-	-	-	(606,569)	(606,569)
Balance at December 31, 2012		1,967,183	62,486	237,163	1,755,893	4,022,725

The Notes on Pages 10 to 76 form an integral part of the financial statements.

SUPREME VENTURES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2012

	2012 $'000	2011 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	1,069,224	606,326
Adjustments for:		
Depreciation of property and equipment	191,187	196,731
Amortisation of intangible assets	29,573	26,401
Transfer to/from property, plant and equipment to profit and loss	197	-
Loss (gain) on disposal of property and equipment	28,286	(859)
Goodwill written off	-	14,963
Impairment of available-for-sale investment	2,124	-
Amortisation of other assets	656	5,019
Write-off of income tax receivable	-	10,379
Unrealised exchange loss on long-term liabilities	(832)	554
Exchange (gain) loss on long-term receivable	(25,438)	(3,965)
Effect of exchange rate changes on cash and cash equivalents	(12,158)	(1,921)
Impairment loss recognised on trade receivables	78,946	5,971
Impairment of other receivables	26,000	-
Interest income	(53,098)	(47,105)
Interest expenses	39,791	48,600
Income tax expenses	375,614	426,714
Operating cash flow before movement in working capital	1,750,072	1,287,808
Decrease (Increase) in operating assets		
Inventories	53,395	32,970
Trade and other receivables	(254,602)	(40,354)
Increase (Decrease) in operating liabilities		
Trade and other payables	232,314	(56,164)
Prizes liabilities	73,341	43,077
Cash generated by operations	1,854,520	1,267,337
Income tax paid	(679,783)	(220,635)
Interest paid	(37,034)	(48,647)
Cash provided by operating activities	1,137,703	998,055
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(309,011)	(139,883)
Acquisition of intangible assets	(1,079)	(84,557)
Acquisition of other assets	(6,564)	-
Proceeds on disposal of property and equipment	4,350	6,101
Long-term receivables	3,564	63,440
Interest received	44,497	45,698
Cash used in investing activities	(264,243)	(109,201)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(606,569)	(448,386)
Loans received	100,000	230,000
Loans repaid	(106,222)	(111,004)
Lease obligations paid	(30,849)	(26,829)
Cash used in financing activities	(643,640)	(356,219)
NET INCREASE IN CASH AND CASH EQUIVALENTS	229,820	532,635
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,418,477	883,921
Effect of exchange rate changes on the balance of cash held in foreign currency	12,158	1,921
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,660,455	1,418,477

The Notes on Pages 10 to 76 form an integral part of the financial statements.

SUPREME VENTURES LIMITED

STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2012

	Notes	2012	2011
		$'000	$'000
ASSETS			
Non-current assets			
Property and equipment	5	202,194	238,265
Goodwill	6	189,953	189,953
Other intangible assets	7	889	1,920
Investment in subsidiaries	8	1,948,990	1,853,568
Long-term receivable	9	843,083	894,943
Available-for-sale investments	10	14,759	1,883
		3,199,868	3,180,532
Current assets			
Income tax recoverable		7,759	2,576
Inventories	14	40,160	90,715
Dividend receivable	41	-	18,137
Due from related parties	15	440,353	241,702
Trade and other receivables	16	116,956	92,743
Cash and bank balances	17	130,451	164,454
		735,679	610,327
Total assets		3,935,547	3,790,859
EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	18	1,967,183	1,967,183
Capital reserve	19	62,486	62,486
Revaluation reserve	20	38,206	38,180
Retained earnings	37	1,207,011	1,018,162
		3,274,886	3,086,011
Non-current liabilities			
Long-term liabilities	21	216,555	189,444
Deferred tax liability	12	25,356	37,608
		241,911	227,052
Current liabilities			
Trade and other payables	22	276,042	302,386
Current portion of long-term liability	21	142,708	175,410
		418,750	477,796
Total equity and liabilities		3,935,547	3,790,859

The Notes on Pages 10 to 76 form an integral part of the financial statements.

The financial statements on Pages 2 to 76 were approved and authorised for issue by the Board of Directors on February 27, 2013, and are signed on its behalf by:

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

SUPREME VENTURES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2012

	Notes	2012 $'000	2011 $'000
Revenue	24	2,789,168	2,463,678
Direct expenses	26	(2,425,883)	(2,193,524)
Gross profit		363,285	270,154
Dividend income from wholly-owned subsidiary	41(b)	820,000	475,000
Operating expenses	27	(456,488)	(334,535)
Interest income		99,700	92,069
Net foreign exchange gain (loss)	29	1,335	1,325
Finance costs	30	(39,148)	(44,449)
Other gains and losses	31	-	(14,963)
PROFIT BEFORE TAXATION	32	788,684	444,601
Taxation	34	6,734	(2,646)
PROFIT FOR THE YEAR	36	795,418	441,955
Other comprehensive income			
Loss on revaluation of property		(5,492)	-
Deferred tax relating to other comprehensive income		5,518	447
Other comprehensive income for the year, net of tax		26	447
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		795,444	442,402

The Notes on Pages 10 to 76 form an integral part of the financial statements.

SUPREME VENTURES LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2012

	Note	Share Capital $'000	Capital Reserve $'000	Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at January 1, 2011		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
Profit for the year		-	-	-	795,418	795,418
Other comprehensive income for the year, net of income tax		-	-	26	-	26
Total comprehensive income for the year		-	-	26	795,418	795,444
Dividend paid	41(a)	-	-	-	(606,569)	(606,569)
Balance at December 31, 2012		1,967,183	62,486	38,206	1,207,011	3,274,886

The Notes on Pages 10 to 76 form an integral part of the financial statements.

SUPREME VENTURES LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2012

	2012 $'000	2011 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	795,418	441,955
Adjustment for:		
Depreciation of property and equipment	31,218	39,871
Acquisition of property and equipment from subsidiary	-	(2,617)
Unrealised exchange (gain) loss (net)	-	49
Dividend income	(820,000)	(475,000)
Impairment of investment in subsidiary	4,578	14,963
Write-off income tax recoverable	-	10,379
Impairment of available-for-sale investment	2,124	-
Impairment loss on account receivables	26,000	-
Amortisation of intangible assets	1,112	840
Effect of exchange rate changes on cash and cash equivalents	(289)	(404)
Adjustments to property and equipment	21,851	-
Interest income	(99,700)	(92,069)
Interest expenses	39,148	44,449
Income tax expenses	(6,734)	2,646
Operating cash flows before movement in working capital	(5,274)	(14,938)
Decrease in inventory	50,555	30,139
(Increase) Decrease in trade and other receivables	(59,234)	14,647
(Increase) Decrease in due from related parties	(163,681)	78,778
(Decrease) Increase in trade and other payables	(26,344)	20,981
Cash used in generated by operations	(203,978)	129,607
Interest paid	(38,517)	(44,496)
Income tax paid	(5,183)	(5,448)
Cash (used in) provided by operating activities	(247,678)	79,663
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	93,721	92,069
Acquisition of property and equipment	(22,490)	(7,636)
Acquisition of intangible asset	(81)	(808)
Long-term receivable	16,890	500
Investment in subsidiary	(100,000)	(200,000)
Cash (used in) investing activities	(11,960)	(115,875)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend received	838,137	456,863
Dividend paid	(606,569)	(448,386)
Loan received	100,000	230,000
Loan repaid	(106,222)	(111,004)
Cash provided by financing activities	225,346	127,473
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(34,292)	91,261
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	164,454	72,789
Effect of exchange rate charges on the balance of cash held in foreign currencies	289	404
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	130,451	164,454

The Notes on Pages 10 to 76 form an integral part of the financial statements.

SUPREME VENTURES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

1 IDENTIFICATION

Supreme Ventures Limited (the Company) is a public limited liability company which is listed on the Jamaica Stock Exchange. The Company's registered office is 4th Floor, R. Danny Williams Building, 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 wholly owned 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	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 Ventures Financial Services Limited provides 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)

These amendments:

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) (Cont'd

2.2 ***New and revised standards applied with no effect on the financial statements***

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (annual periods beginning on or after July 1, 2011)

- Replace references to a fixed date of 'January 1, 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs.

- Provide guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

Amendments to IFRS 7 disclosures – Transfers of Financial Assets (annual periods beginning on or after July 1, 2011)

- The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

Amendments to IAS 12 deferred Tax: Recovery of Underlying Assets (annual periods beginning on or after January 1, 2012)

- Under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes unless the presumption is rebutted.

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 beginning on or after
New Standards		
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 Interests 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 - Amendments to revise the way other comprehensive income is presented	July 1, 2012
IFRS 1	First-time Adoption of International Financial Reporting Standards: - Amendment addressing how a first-time adopter would account for a Government loan with a below market rate of interest when transitioning to IFRS	January 1, 2013
IFRS 7	Financial Instruments: Disclosures - Amendments requiring disclosures about the initial application of IFRS 9	(i)
	- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	(ii)
IFRS 10	Consolidated financial statements - Amendment to provide additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period	January 1, 2013
	- Amendment providing 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 *Financial instruments of IAS 39 Financial Instruments: Recognition and Measurement*	January 1, 2013
IFRS 11	Joint Arrangements - Amendment eliminating the requirement to provide comparative information for periods prior to the immediately preceding period	January 1, 2013
IFRS 12	Disclosure of Interests in Other Entities - Amendment eliminating the requirement to provide comparative information for periods prior to the immediately preceding period	January 1, 2013
	- Amendment requiring additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries	January 1, 2014

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 (Cont'd)		
IAS 19	Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 1, 2013
IAS 27	Consolidated and Separate Financial Statements - Reissued as IAS 27 *Separate Financial Statements*	January 1, 2013
	- Amendment requiring an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated)	January 1, 2014
IAS 28	Investments in Associates - Reissued as IAS 28 *Investments in Associates and Joint Ventures*	January 1, 2013
IAS 32	Financial Instruments: Presentation - Amendments to application guidance on the offsetting of financial assets and financial liabilities	January 1, 2014
IFRS 1, IAS 1, 16, 32 and 34	Amendments resulting from Annual Improvements 2009-2011 cycle: Repeat application, borrowing costs; comparative information; servicing equipment; tax effect of equity distributions; interim reporting of segment assets - respectively	January 1, 2013
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 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. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

(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 directors have not yet performed a detailed review to assess the impact on adoption of this standard.

- New and revised standard on consolidation, joint arrangements, associates and disclosures.

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* will be withdrawn upon the effective date 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.

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 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* will be withdrawn upon the effective date 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 consolidation.

- 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.

  In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

  These five standards together with the amendments regarding the transition guidance are effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that all five standards are applied at the same time.

  The directors have not yet performed a detailed review to assess the impact of application of these standards on the Group.

- 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 IFRS 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 have not yet performed an assessment of the impact of this standard.

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)***

- The amendments to IAS 1 *Presentation of items of other comprehensive income (effective for annual periods beginning on or after July 1, 2012 with earlier application permitted) introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. 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 do not change the option to present items of other comprehensive income either before tax or net of tax.

  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.

- *Amendments to IFAS 7 and IAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures*

  The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

  The amendments to IFRS 7 requires entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

  The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after January 1, 2014, with retrospective application required.

  The directors anticipate that the application of these amendments to IAS 32 and IFRS 7 will not have a significant impact but may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

- *Annual Improvements to IFRSs 2009 - 2011 Cycle Issued in May 2012*

  The Annual Improvements to IFRS 2009 - 2011 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013. Amendments to IFRS include:

  - amendments to IAS 16: *Property, Plant and Equipment; and*
  - amendments to IAS 32: *Financial Instruments: Presentation*

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)*

- *Annual Improvements to IFRSs 2009 - 2011 Cycle Issued in May 2012 (Cont'd)*

  Amendments to IAS 16

  The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The directors do not anticipate that the amendments to IAS 16 will have a significant effect on the Group's consolidated financial statements.

  Amendments to IAS 32

  The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 *Income tax*es. The directors anticipate that the amendments to IAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

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 and available-for-sale investments. 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 if 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.

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 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.

Properties 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 recognised so as to write off the cost or valuation of assets, other than land and capital work-in-progress less their residual values, 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. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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). When 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. When 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.

When 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 receivables, 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 effect of discounting is 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 and 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-derivatives 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 44.8. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated 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. When the investment is disposed of or is determined to be impaired the cumulative gain or loss previously accumulated in equity is reclassified to 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 beyond 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 profit or loss.

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 event 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 and 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 Interest in joint venture

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

Joint venture arrangements that involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities.

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.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognized in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

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 before tax as reported in the consolidated 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 or substantively 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 consolidated 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 for all deductible temporary differences 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profit against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 or substantively 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 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined 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.

3.16 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 2, Pick 3, Pick 4, Lotto, 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) is paid over to the CHASE Fund within 21 days and the remainder retained by the subsidiary.

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 tickets and 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. Revenue is recognised when wagers are placed by players evidenced by ticket sales.

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.

3.17.8 Dividend income

Dividend income is recognised when the right to receive payment is established.

3.18 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segment of an entity. The Group's executive management is its chief operating decision-maker.

All transactions between business segments are conducted on an arm's length basis, with inter-segment revenue and cost eliminated on consolidation. Income and expenses directly associated with each segment are included in determining business segment performance.

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 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to the qualifying assets in which case they are capitalised in accordance with the Group's policy on borrowing cost.

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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 on post business combinations at the reporting date amounts to $571.7 million for the Group and $189.9 million for the Company.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

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 $408.4 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 subsidiaries 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 date of the statement of financial position 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 and its subsidiaries 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 CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

5 PROPERTY AND EQUIPMENT

	The Group												
	Freehold Land (At Valuation)	Freehold Buildings (At Valuation)	Leasehold Buildings	Leasehold Improvements	Machinery & Equipment	Video Lottery Terminal Equipment	Furniture, Fixtures & Equipment	Computer Equipment	Motor Vehicles	Arts & Paintings	Signs & Posters	Capital Work in Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost/Valuation													
Balance at January 1, 2011	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
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
Revaluation increase	12,500	16,149	-	-	-	-	-	-	-	-	-	-	28,649
Additions	-	39,726	-	2,981	545	3,910	9,876	4,954	33,464	-	1,059	212,496	309,011
Transfer to profit and loss	-	-	-	-	-	-	-	-	-	-	-	(197)	(197)
Transfers	(27,428)	44,525	-	(9,338)	5,833	621	705		-	-	-	(14,918)	-
Disposals/write-off	-	-	-	(1,800)	-	(71,001)	(696)	(294)	(16,506)	-	(381)	-	(90,678)
Balance at December 31, 2012	222,200	1,037,500	120,348	351,813	251,566	445,779	485,794	32,301	137,031	2,363	25,702	200,478	3,312,875
Accumulated Depreciation													
Balance at January 1, 2011	-	-	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
Disposals	-	-	-	-	-	-	-	-	(6,239)	-	-	-	(6,239)
Balance at December 31, 2012	-	23,428	12,536	163,721	215,525	313,118	267,924	24,443	55,236	-	24,957	-	1,100,888
Depreciation expense	-	23,739	3,009	38,377	26,277	50,746	21,691	4,786	22,384	-	178	-	191,187
Transfer	-	6,976	-	(6,976)	-	-	-	-	-	-	-	-	-
Elimination on revaluation	-	(54,143)	-	-	-	-	-	-	-		-	-	(54,143)
Disposals/write-off	-	-	-	(1,626)	-	(41,962)	(486)	(294)	(13,370)	-	(304)	-	(58,042)
Balance at December 31, 2012	-	-	15,545	193,496	241,802	321,902	289,129	28,935	64,250	-	24,831	-	1,179,890
Balance at													
December 31, 2012	222,200	1,037,500	104,803	158,317	9,764	123,877	196,665	3,366	72,781	2,363	871	200,478	2,132,985
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

5 PROPERTY AND EQUIPMENT (Cont'd)

The Group

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

Freehold buildings	-	40 years
Leasehold building	-	40 years
Leasehold improvements		10 years
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 a professional valuation of the Group's and Company's land and buildings was performed by Property Consultants Limited to determine the fair values as at December 31, 2012 and December 31, 2011. The valuations were determined by reference to recent comparable market transactions and projected cash flows.

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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Freehold land	45,215	24,515	5,114	5,114
Freehold buildings	168,914	146,480	21,390	22,287
	214,129	170,995	26,504	27,401

SUPREME VENTURES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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, 2011	15,000	67,100	22,417	327,475	193,871	47,033	16,459	16,977	1,130	2,363	24,642	734,467
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
Revaluation increase/(decrease)	500	(9,658)	-	-	-	-	-	-	-	-	-	(9,158)
Additions	-	19,058	-	-	-	1,588	1,844	-	-	-	-	22,490
Disposals/write-off	-	-	-	(39,573)	-	-	-	-	-	-	-	(39,573)
Balance at December 31, 2012	15,500	76,500	25,852	289,407	193,871	52,210	19,013	17,991	1,130	2,363	24,642	718,479
Accumulated Depreciation												
Balance at January 1, 2011	-	-	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
Eliminated on revaluation	-	(3,666)	-	-	-	-	-	-	-	-	-	(3,666)
Depreciation expense	-	1,989	690	25,210	265	2,248	399	388	29	-	-	31,218
Disposals/write-off	-	-	-	(17,722)	-	-	-	-	-	-	-	(17,722)
Balance at December 31, 2012	-	-	23,105	195,410	193,871	44,554	16,986	17,332	385	-	24,642	516,285
Balance at												
December 31, 2012	15,500	76,500	2,747	93,997	-	7,656	2,027	659	745	2,363	-	202,194
December 31, 2011	15,000	65,423	3,437	141,058	265	8,316	582	1,047	774	2,363	-	238,265

5 PROPERTY AND EQUIPMENT (Cont'd)

The Company

Annual depreciation rates are based on the following useful lives:

Freehold buildings	-	40 years
Roadway and fencing	-	40 years
Leasehold improvements	-	10 years
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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Acquired goodwill	571,681	571,681	189,953	189,953

The goodwill 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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Gaming operations	381,728	381,728	-	-
Lottery operations	189,953	189,953	189,953	189,953
	571,681	571,681	189,953	189,953

Management has determined that the remaining goodwill balance at December 31, 2012 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 10.5% (2011: 10% 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 3.5% (2011: 5%) per annum growth rate in estimating the continuing value of the cash generating unit.

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 is made on the basis that these games will continue to be profitable.

The value in use projection is calculated in a similar manner as the gaming operations.

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 of either gaming operations or the lottery operations.

7 OTHER INTANGIBLE ASSETS

	The Group				The Company
	Computer Software $'000	Licences $'000	Software Usage Rights $'000	Total $'000	Computer Software $'000
Cost					
Balance at January 1, 2011	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
Additions	1,079	-	-	1,079	81
Balance at December 31, 2012	64,199	49,044	80,558	193,801	9,708
Accumlated Amortisation					
Balance at January 1, 2011	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
Amortisation expense	11,708	9,809	8,056	29,573	1,112
Balance at December 31, 2012	54,457	20,271	16,112	90,840	8,819
Balance at					
December 31, 2012	9,742	28,773	64,446	102,961	889
December 31, 2011	20,371	38,582	72,502	131,455	1,920

Computer software

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

7 OTHER INTANGIBLE ASSETS (Cont'd)

Licences

Licences represent cost of acquisitions through subsidiaries as detailed below:

	The Group	
	2012	2011
	$'000	$'000
Chillout Ventures Limited	26,155	26,155
Amortisation	(15,693)	(10,462)
	10,462	15,693
Big 'A' Track 2003 Limited	22,889	22,889
Amortisation	(4,578)	-
	18,311	22,889
	28,773	38,582

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 permits to promote sports betting. The original cost of acquiring the licence is amortised over its remaining useful life which is deemed to be five years.

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	
	2012	2011
	$'000	$'000
Supreme Ventures Lotteries Limited (see 8.2 below)	1,000	1,000
Supreme Ventures Financial Services Limited	5,760	5,760
Jamaica Lottery Holdings Limited	750	750
Big 'A' Track 2003 Limited (see 8.3 below)	418,311	322,889
Prime Sports (Jamaica) Limited (see 8.4 below)	1,523,169	1,523,169
	1,948,990	1,853,568

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 licensee is required to have an equity capitalisation of not less than $500 million.

8 **INVESTMENT IN SUBSIDIARIES (Cont'd)**

8.3 Investment in Big 'A' Track 2003 Limited

	2012 $'000	2011 $'000
Balance January 1	22,889	22,889
Amortisation	(4,578)	-
Balance December 31	18,311	22,889
Balance January 1	300,000	100,000
Capital injection	100,000	200,000
Balance December 31	400,000	300,000
Balance December 31	418,311	322,889

(i) 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.

(ii) By an ordinary resolution dated March 19, 2012, the ordinary share capital of the subsidiary was increased to 400,000,000 shares of no par value by the creation of 400,000,000 new ordinary shares of no par value. 100,000,000 ordinary shares were allotted to the company as full consideration for J$100 million in cash.

8.4 Investment in Prime Sports (Jamaica) Limited

	2012 $'000	2011 $'000
Balance January 1/December 31	1,523,169	1,523,169

9 LONG-TERM RECEIVABLES

9.1 These include:

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
SGL BVI Limited US$3,903,520 (2011: US$3,916,713) (see Note 9.2 below)	359,895	338,021	-	-
Prime Sports (Jamaica) Limited				
Debentures (see Note 9.3 below)	-	-	556,664	557,164
Loans (see Note 9.4 below)	-	-	421,649	438,039
	359,895	338,021	978,313	995,203
Less: Current portion included in other receivables (Note 16(f) the Group) related party (Note 15 the Company)	(26,230)	(21,614)	(135,230)	(100,260)
Long-term receivables	333,665	316,407	843,083	894,943

9.2 SGL BVI Limited

The balance represents unsecured 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.

The balance outstanding at December 31, 2012 amounting to US$3,903,520 is 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 accrues on the outstanding balance at the rate of 3 months LIBOR. Included in the balance outstanding at December 31, 2012 is interest accrued amounting to US$29,149 (J$2,687,447).

9.3 Prime Sports (Jamaica) Limited - Debenture

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

Interest is charged on the debentures at a rate of 8% per annum, reviewed and paid quarterly.

SUPREME VENTURES LIMITED

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

9.4 Prime Sports (Jamaica) Limited - Loans

	$'000
Loan 1 (a below)	236,784
Loan 2 (b below)	184,865
	421,649
Current portion (Included in related party	(134,731)
Long-term portion	286,918

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

(a) The loan is repayable as follows:

	$'000
Within one year	27,449
In the second year	12,368
In third to fifth year inclusive	43,612
Later than five years	153,355
	236,784
Less: Current portion (shown under current assets)	(27,449)
Amount due for settlement after 12 months	209,335

The loan is unsecured and 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	107,282
In the second year	44,763
In third to fifth year inclusive	32,820
	184,865
Less: current portion (shown under current assets)	(107,282)
Amount due for settlement after 12 months	77,583

The loan is unsecured and 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 and quoted investments

	The Group and The Company	
	2012	2011
	$'000	$'000
Unquoted Investment, January 1/ December 31	1,883	1,883
Quoted Investment, January 1	-	-
Addition (Reclassified from prepayment)	15,000	-
Impairment adjustment (see below)	(2,124)	-
Quoted Investments, December 31	12,876	-
Unquoted and Quoted Investments, December 31	14,759	1,883

Investment in quoted equity was considered impaired as at December 31, 2012 based on the average trading price therefore written down.

11 INVESTMENT IN JOINT VENTURE

The Group's significant interest in a joint venture comprises a 50% equity shareholding of Jonepar Development Limited, a jointly controlled entity. The entity 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 significant and as a result the investment is carried at cost.

12 DEFERRED TAXATION

Effective January 1, 2013 the Company will commence paying Corporation Tax at 25% of its taxable profits (33⅓% previously) based on revision in the tax rate. As a result of the foregoing, deferred tax has been calculated using the rate of 25%.

These comprise:

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Deferred tax assets	414,526	196,571	788	841
Less: Deferred tax liabilities	(99,278)	(135,473)	(26,144)	(38,449)
	315,248	61,098	(25,356)	(37,608)

12 DEFERRED TAXATION (Cont'd)

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

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Opening balance	61,098	8,034	(37,608)	(36,372)
(Charged) Credited to equity for the year (Note 20)	(5,979)	1,289	5,518	447
Credited (Charged) to income for the year (Note 34)				
- continuing operations	258,863	35,195	6,734	(1,683)
- discontinuing operations (Note 35)	1,266	16,580	-	-
Closing balance	315,248	61,098	(25,356)	(37,608)

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

Deferred Tax Assets

The Group

	Tax Losses	Depreciation in Excess of Capital Allowance	Vacation Leave Payable	Interest Payable	Total
	$'000	$'000	$'000	$'000	$'000
Balance at January 1, 2011	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
Transfer from deferred tax liability	-	(34,858)	-	-	(34,858)
Credited (Charged) to income for the year	214,045	39,708	(1,419)	479	252,813
Balance at December 31, 2012	408,356	4,850	-	1,320	414,526

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.

SUPREME VENTURES LIMITED

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

Deferred Tax Assets (Cont'd)

The Company

	Interest Payable $'000	Total $'000
Balance at January 1, 2011	857	857
Charged to income for the year	(16)	(16)
Balance at December 31, 2011	841	841
Charged to income for the year	(53)	(53)
Balance at December 31, 2012	788	788

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, 2011	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
Transfer to deferred tax asset	-	(34,858)	-	-	-	(34,858)
Credited to equity for the year	5,979	-	-	-	-	5,979
Charged (Credited) to income for the year	-	-	(8,055)	(1,294)	2,033	(7,316)
Balance at December 31, 2012	56,221	-	16,112	24,443	2,502	99,278

SUPREME VENTURES LIMITED

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YEAR ENDED DECEMBER 31, 2012

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

Deferred Tax Liabilities (Cont'd)

The Company

	Revaluation of Property $'000	Capital Allowance in Excess of Depreciation $'000	Interest Receivable $'000	Total $'000
Balance at January 1, 2011	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
Credited to equity for the year	(5,518)	-	-	(5,518)
Charged (Credited) to income for the year	-	(8,276)	1,489	(6,787)
Balance at December 31, 2012	11,902	12,732	1,510	26,144

13 **OTHER ASSETS**

	2012 $'000	2011 $'000
Acquired during the year	6,564	-
Less: Amortisation	(656)	-
Balance, December 31	5,908	-

The amount represents clearance cost for leased gaming machines which is being amortised over the useful life of the gaming machines estimated, at five years.

14 **INVENTORIES**

	The Group		The Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Pin codes	40,160	90,715	40,160	90,715
Food and beverage	8,258	11,098	-	-
	48,418	101,813	40,160	90,715

The cost of inventory recognised as an expense during the year for the Group was $2.327 billion (2011: $2.14 billion), and for the company was $2.26 billion (2011: $2.04 billion).

SUPREME VENTURES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

15 DUE FROM (TO) RELATED PARTIES

	The Company	
	2012	2011
	$'000	$'000
Prime Sports (Jamaica) Limited	517,137	232,931
Supreme Ventures Financial Services Limited	-	2,761
Big 'A' Track 2003 Limited	(38,575)	21,428
Supreme Ventures Lotteries Limited	(173,439)	(115,678)
	305,123	141,442
Long-term receivable - Prime Sports (Jamaica) Limited (Note 9)	135,230	100,260
	440,353	241,702

16 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Trade receivables	471,517	329,642	-	-
Less: Allowances for irrecoverable debts	(152,417)	(73,471)	-	-
	319,100	256,171	-	-
Other receivables and prepayments (see Note 16(f))	317,482	206,538	142,956	92,743
Less: Provisions	(26,000)	-	(26,000)	-
	291,482	206,538	116,956	92,743
	610,582	462,709	116,956	92,743

(a) Included in trade receivables of the Group are amounts of $423 million (2011: $289 million) representing amounts receivable from the agents that support the lottery sales. The average credit period for the receivables is 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.

(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 receivables 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 counterparties.

Management believes that past due unimpaired receivables are of good quality.

16 TRADE AND OTHER RECEIVABLES (Cont'd)

(c) Ageing of past due but not impaired

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Up to 30 days	6,801	1,479	-	-
31 - 60 days	12,553	608	-	-
61 - 90 days	25,043	688	-	-
Over 120 days	15,621	9,675	-	-
	60,018	12,450	-	-

(d) Movement in allowance for impairment of trade receivables

	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Balance at beginning of year	73,471	67,500	-	-
Impairment losses recognised	78,946	5,971	-	-
Balance at end of year	152,417	73,471	-	-

Movement in allowance for impairment of other receivables

	2012	2011	2012	2011
Balance at beginning of year	-	-	-	-
Impairment losses recognised	26,000	-	-	-
Balance at end of year	26,000	-	26,000	-

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) Ageing of impaired trade receivables

	The Group	
	2012	2011
	$'000	$'000
61 - 120 days	26	-
Over 120 days	152,391	73,471
	152,417	73,471

(f) Other receivables includes amounts of $26.23 million (US$0.285 million), (2011: $21.6 million (US$0.250 million)) for the Group. This amount is recoverable in four quarterly instalments during the year ending December 2013

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 and other highly liquid bank deposits held with financial institutions net of bank overdraft, 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 $1,315 million (2011: $897 million), including US$ foreign currency deposits of US$2.1 million (2011: US$2.4 million). Interest rate on J$ deposits ranged from 1.5% to 6.60% (2011: 1.5% to 6.75%) and on US$ deposits from 0.15% to 4.0% (2011: 0.15% to 1.25%).

(c) *The Company*

Bank balances of the company include interest bearing accounts of $91.4 million (2011: $51.09million), including foreign currency deposits of US$0.048 million (2011: US$0.508 million). Interest rate on the J$ deposits ranges from 1.5% to 6.2% (2011: 1.5% to 4%) and interest on US$ deposits ranges from 0.75% to 1.0% (2011: 0.75% to 1.25%).

(d) Hypothecated deposits

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Hypothecated term deposits #1 (see (i) below)	25,000	25,000	-	-
Hypothecated term deposits #2 (see (ii) below)	5,800	5,800	5,800	5,800
	30,800	30,800	5,800	5,800

(i) Included in cash and bank balance of the Group are two hypothecated term deposits of $25 million and $5.8 million. The $25 million term deposit is hypothecated as support to a performance bond guarantee by the Bank to the Betting Gaming and Lotteries Commission (BGLC) of certain financial obligations by a subsidiary under the BGLC Act and regulations. The bond which is for four years expires in April 2015.

(ii) The hypothecated term deposits stamped to cover $5.8 million represent part of security for long-term loan as disclosed in Note 21(b).

18 SHARE CAPITAL

	2012	2011
	$'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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Balance at January 1	160,350	159,061	38,180	37,733
Increase arising on revaluation of property	82,792	-	(5,492)	-
Deferred tax liability released to equity	(5,979)	1,289	5,518	447
Balance at December 31	237,163	160,350	38,206	38,180

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

21 LONG-TERM LIABILITIES

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Obligation under finance lease (2011: US$451,811) (Note 21 (a))	-	39,195	-	-
Bank of Nova Scotia Jamaica Limited (Note 21 (b))	359,263	364,854	359,263	364,854
	359,263	404,049	359,263	364,854

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
These loans are repayable as follows:				
Within one year	142,708	214,605	142,708	175,410
In the second to fifth year inclusive	216,555	189,444	216,555	189,444
	359,263	404,049	359,263	364,854
Included in the statement of financial position as:				
Current liabilities	142,708	214,605	142,708	175,410
Long-term liabilities	216,555	189,444	216,555	189,444

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

(a) Obligation under finance lease

Finance lease relates to the May Pen property and has lease term of five (5) years. The lease arrangement had an option to purchase the building for a nominal amount at the conclusion of the lease agreement. The directors exercised the option to purchase the building on expiration of the lease in 2012. The remaining balance of $9.640 million (US$103,844) on the exercise of the option has been transferred to payables.

	Minimum lease payment		Present value of minimum lease payment	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Amounts payable under finance lease:				
Within one year	-	39,839	-	39,195
In the second to fifth year inclusive	-	-	-	-
	-	39,839	-	39,195
Less: Future finance charges	-	(644)	-	-
Present value of lease obligation (2011:US$451,811)	-	39,195	-	39,195

(b) Bank of Nova Scotia Jamaica Limited

The loan is repayable as follows:

	2012	2011
	$'000	$'000
Within one year	142,708	175,410
In the second to fifth year	216,555	189,444
	359,263	364,854

The non-revolving J$ loan 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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Trade payables	241,844	304,808	168,940	211,979
Service contractor fees	261,173	161,749	9,702	8,566
Contributions payable to CHASE Fund	159,238	81,213	-	-
Contributions payable to Betting, Gaming and Lotteries Commission	16,789	16,678	-	-
Government taxes payable	46,052	26,903	-	-
Other payables and accruals	243,433	135,224	97,400	81,841
	968,529	726,575	276,042	302,386

23 PRIZE LIABILITIES

	The Group	
	2012	2011
	$'000	$'000
Local lottery games ((a) below)	132,586	113,383
Multi-jurisdictional lottery game ((b) below)	204,479	150,241
Sports Betting ((c) below)	577	677
	337,642	264,301

(a) This 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 (2011: $60 million).

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

Under the rules of the Super Lotto game, and as agreed by BGLC, effective September 10, 2012 Jackpot contributions is calculated at US$0.7365 cents for every full bet wager and US$0.4419 cents for every partial bet wager. Reserve contributions are US$0.02 cents for every full bet wager and US$0.012 cents for every partial bet wager.

Prior to September 2012 a certain percentage of revenue is recognised as a jackpot fund with a corresponding charge to expenses for settlement of the jackpot. The percentage from March 6, 2010 was 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 a 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.

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

24 REVENUE

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

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Cash Pot	18,964,718	18,865,632	-	-
Dollaz	181,499	219,238	-	-
Instant	46,052	61,725	-	-
Lotto	1,016,739	1,042,714	-	-
Lucky 5	298,835	373,233	-	-
Pick 2	402,107	720,297	-	-
Pick 3	1,979,363	2,864,402	-	-
Pick 4 (Commenced January 2012)	2,669,177	-		
Super Lotto (See (b) below)	519,799	469,466	-	-
Sports Betting	230,314	99,932	-	-
Unclaimed prizes	110,791	111,600	-	-
Gaming revenue (net wins)	636,325	697,790	-	-
Hospitality and related revenue	77,780	108,161	-	-
Management fees	-	-	226,400	120,000
Royalties	-	-	25,198	57,355
Pin codes	2,516,590	2,268,306	2,516,590	2,268,306
Others	76,057	59,132	20,980	18,017
	29,726,146	27,961,628	2,789,168	2,463,678

(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) In the prior year the MoneyGram remittance service and foreign exchange trading operations were discontinued. The revenues in relation to these operations have been classified 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, offered through the agents' network.
(b)	Gaming and hospitality	- -	Video Lottery Terminal (VLT) games offered at gaming lounges and restaurant operations.
(c)	Sports Betting	-	Wagers on international sport events offered 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.

The Group's operations are located solely in Jamaica.

SUPREME VENTURES LIMITED

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

	2012						
	Lottery	Gaming and Hospitality	Sports Betting	Pin Codes	Other	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenue	26,189,080	714,105	230,314	2,516,590	76,057	-	29,726,146
Inter-segment revenue	-	31,087	-	-	251,598	(282,685)	-
Total revenue	26,189,080	745,192	230,314	2,516,590	327,655	(282,685)	29,726,146
Result							
Segment result	1,546,019	(251,509)	(93,609)	90,707	67,041	-	1,358,649
Interest income							53,098
Net foreign exchange loss							35,945
Other gains and losses							42,000
Finance cost							(39,791)
Profit before taxation continuing operations							1,449,901
Taxation							(376,880)
Profit for the year (continuing operations)							1,073,021
Other information							
Capital additions	67,508	240,862	1,720	-	-	-	310,090
Depreciation, and amortisation property, plant and equipment	50,997	150,799	16,921	-	2,043	-	220,760
Balance sheet							
Assets							
Segment assets	4,483,541	3,797,479	656,808	45,919	103,009	(3,259,893)	5,826,863
Consolidated total assets							5,826,863
Liabilities							
Segment liabilities	1,745,665	1,637,719	88,170	168,940	45,188	(1,877,524)	1,808,158
Consolidated total liabilities							1,808,158

SUPREME VENTURES LIMITED

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YEAR ENDED DECEMBER 31, 2012

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 property, plant and equipment	39,699	167,737	15,696	-	-	-	223,132
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

26 DIRECT EXPENSES

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

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Lottery and Sports betting prizes	17,643,396	17,175,967	-	-
Service contractor fees	1,248,220	1,276,755	-	-
Agents' commissions	1,292,400	1,221,855	-	-
Good cause fees	1,198,713	1,060,607	-	-
Lottery and gaming tax	1,556,356	1,381,176	-	-
Contributions to BGLC	278,249	264,099	-	-
Direct expense - hospitality and related services	66,963	85,700	-	-
Pin codes	2,259,971	2,038,115	2,259,971	2,038,115
Commissions - pin codes (cost)	165,912	155,409	165,912	155,409
	25,710,180	24,659,683	2,425,883	2,193,524

In the prior year the MoneyGram remittance and Cambio operation were discontinued. Direct expenses in relation to this operation have been classified 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 are 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 many 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, Pick 3 and Pick 4 – 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.

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YEAR ENDED DECEMBER 31, 2012

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 a related company, provides three main services to the Group namely, technical services for sports betting activities; lease of gaming machines and central monitoring systems, both relating for Video Lottery Terminals (VLT) business. Intralot receives a fee based on a daily rate for the use of the central monitoring systems and agreed percentages of net revenues for its other services.

The fees for services are as follows:

	2012	2011
	$'000	$'000
Sport betting activities	11,604	4,122
Lease of gaming machines	14,861	-
Lease of central monitoring system	25,848	17,175
	52,313	21,297

(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, Pick 3 and Pick 4	-	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, Pick 3 and Pick 4 and 23% of weekly net 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).

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

(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.

(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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Staff costs (Note 28)	689,788	644,023	173,797	161,630
Rental and utilities	249,450	213,415	11,134	12,211
Marketing and business development	313,729	395,706	418	4,763
Professional fees	215,359	238,464	91,948	43,801
Draw expenses	161,077	132,407	125	-
Bad debt	104,946	5,971	-	-
Security	82,906	76,879	11,496	6,076
GCT irrecoverable	157,884	104,101	305	-
Licences and other fees	26,168	26,458	52	19
Depreciation and amortisation property, plant and equipment	220,760	223,132	32,330	40,711
Disposal of property, plant and equipment	32,636	5,242	21,851	-
Bank charges	31,525	22,709	736	518
Others	371,089	350,710	112,296	64,806
	2,657,317	2,439,217	456,488	334,535

28 **STAFF COSTS**

Analysis of staff costs for continuing operations is as follows:

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Salaries and other employee benefits including redundancy	623,239	587,982	160,498	151,133
Statutory contributions	51,809	49,555	12,973	10,158
Pension contributions	14,740	6,486	326	339
	689,788	644,023	173,797	161,630

The hospitality operation was scaled-down as at December 31, 2012.

Redundancy payments included in salaries and benefits amounted to $22.051 million (2011: $9.075 million).

29 NET FOREIGN EXCHANGE GAIN (LOSS)

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

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Foreign exchange gain	37,136	7,784	1,335	1,349
Foreign exchange loss	(1,191)	(118)	-	(24)
NET GAIN (LOSS)	35,945	7,666	1,335	1,325

30 FINANCE COSTS

Analysis of finance costs for continuing operations is as follows:

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Interest on bank overdraft and long-term loans	39,148	44,449	39,148	44,449
Interest on obligations under finance lease	643	4,151	-	-
	39,791	48,600	39,148	44,449

31 OTHER GAINS AND LOSSES

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

Group

The amount of $42 million represents draw down on the Lucky Five reserve as approved by the Betting, Gaming and Lotteries Commission.

In the prior year the balance comprised 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 represented a draw down on the Lucky Five reserve as approved by the Betting, Gaming and Lotteries Commission.

The Company

In the prior year the amount represents loss of purchased goodwill attributable to financial services cash generating unit discontinued during that year.

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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Income				
Interest	53,098	46,376	99,700	92,069
Expenses				
Directors' emoluments:				
Fees	29,237	19,194	29,237	19,194
Management remuneration	148,404	162,709	94,739	119,185
Audit fees	17,900	17,300	6,100	5,500
Depreciation of property and equipment	191,187	196,731	31,218	39,871
Amortisation of intangible assets	29,573	26,401	1,112	840
Amortisation of other assets	656	5,019	-	-
Finance costs	39,791	48,600	39,148	44,449

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.

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

(b) *Trading transactions with related parties*

During the period, the company had the following significant transactions with its wholly-owned subsidiaries. Transactions represents income to the company.

	2012	2011
	$'000	$'000
Supreme Ventures Financial Services Limited		
Royalty fee	-	897
Prime Sports (Jamaica) Limited		
Management fees	10,500	-
Machine rental	20,422	18,682
Interest income	85,525	86,598
Supreme Ventures Lotteries Limited		
Management fees	212,400	120,000
Royalty fee	25,198	56,457
Big 'A' Track 2003 Limited		
Management fees	3,500	-

The Company is provided with technical services by a related entity. This is disclosed at Note 26 (c) (ii)).

(c) *Balances with related parties*

Notes 9 and 15 to the financial statements include related party long-term receivable and other amounts due from related parties respectively.

Included in trade and other receivables (Note 16) is an amount of $31.1 million, which represents an advance to a director.

(d) *Loans of key management personnel*

	The company	
	2012	2011
	$'000	$'000
Loan balances	70,890	65,360

The company has provided its key management personnel and directors with short-term loans in accordance with policy on granting loans to the company's employees. The amounts disbursed during the period amounted to $27.736 million (2011: $19.89 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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Short-term benefits	156,176	183,289	110,781	139,765
Post employment benefits	2,279	2,059	326	326
	158,455	185,348	111,107	140,091
Professional fees paid to directors	73,075	77,610	73,075	77,610

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YEAR ENDED DECEMBER 31, 2012

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

(f) Provisions or write-off

No provisions or write off have been recognised for amounts advanced to key management or related parites.

34 **TAXATION**

Analysis of taxation for continuing operations is as follows:

(a) The taxation for the year includes:

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Current tax charge:				
Income tax at 33⅓% of taxable profits	635,743	477,526	-	-
Under provision in previous year	-	963	-	963
Deferred tax adjustment (Note 12)	(258,863)	(35,195)	(6,734)	1,683
	376,880	443,294	(6,734)	2,646

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

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Profit before taxation	1,449,901	1,063,561	788,684	444,601
Tax at the domestic income tax rate of 33⅓%	483,300	354,520	262,895	148,200
Tax effect of expenses disallowed for tax purposes	32,967	53,691	9,517	8,447
Net deferred tax asset not recognised	-	72,993	-	-
Tax effect on non-taxable income	(405)	(54,436)	(273,333)	(155,301)
Under provision previous year	-	963	-	963
Tax effect on private motor vehicles	6,749	15,174	-	-
Tax effect of prior period deferred tax recognised on the current year	(255,654)	-	-	-
Tax effect of tax loss not recognised	5,956	-	5,956	-
Effect of change in tax rate	105,083	-	(8,452)	-
Other	(1,116)	389	(3,317)	337
	376,880	443,294	(6,734)	2,646

34 **TAXATION (Cont'd)**

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
(c) Total tax charge recognised directly in equity	(5,979)	1,289	5,518	447

(d) Tax losses of subsidiaries amounting to $1.633 billion (subject to agreement with the Director General, Tax Administration Jamaica) are available for set-off against future taxable profits of the subsidiaries.

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 Services Limited, which was effective December 9, 2011. As a result, these operations have been treated as discontinued operation in these financial statements. The company is treated as a going concern as it continues to operate as a MoneyGram sub-agent and will also seek other revenue generating activities.

	2012	2011
	$'000	$'000
Revenue	-	147,729
Direct expenses	-	(33,287)
Gross profit	-	114,442
Operating expenses	(1,931)	(163,450)
Loss from operations	(1,931)	(49,008)
Other gains and losses (see (b) below)	(3,132)	23,037
Interest income	-	729
Net foreign exchange loss	-	(5,279)
Loss before taxation	(5,063)	(30,521)
Taxation (Note 12)	1,266	16,580
Loss for the year from discontinued operations	(3,797)	(13,941)

(b) Other gains and losses

	$'000	$'000
Proceeds from sale of MoneyGram operation	(3,132)	38,000
Impairment of goodwill attributed to financial services	-	(14,963)
	(3,132)	23,037

In the current year the sale price of the MoneyGram operation was amended due to a condition of the original sale agreement.

(c) Cash flows from discontinued operations

	2012	2011
	$'000	$'000
Net cash flows from operating activities	(3,797)	293
Net cash flows from investing activities	-	729
	(3,797)	1,022

36 NET PROFIT

(a) Dealt with in the financial statements of:

	2012 $'000	2011 $'000
The company (see (b) below)	(24,582)	(33,045)
The subsidiaries	1,093,806	639,371
	1,069,224	606,326

(b) Profit per company's statement of comprehensive income	795,418	441,955
Less: Dividend received - subsidiary	(820,000)	(475,000)
Net profit (as above)	(24,582)	(33,045)

37 RETAINED EARNINGS

This is reflected in the financial statements of:

	2012 $'000	2011 $'000
The company	1,207,011	1,018,162
The subsidiaries	548,882	275,076
	1,755,893	1,293,238

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.

	2012 $'000	2011 $'000
Net profit from continuing operation	1,073,021	620,267
Net profit attributable to shareholders	1,069,224	606,326
Weighted average number of ordinary stock units in issue ('000)	2,637,255	2,637,255

	2012 ¢	2011 ¢
From continuing operations	41	24
From discontinued operations	-	(1)
Total basic earnings per stock	41	23

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	
	2012	2011
	$'000	$'000
Within 1 year	92,510	86,618
Year 2 and 3	185,021	162,783
	277,531	249,401

	The Group	
	2012	2011
	$'000	$'000
Minimum lease payment under operating lease recognised as an expense in the year	98,111	71,779

41 DISTRIBUTIONS

			2012	2011
			$'000	$'000
a. Dividend declared and paid				
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
Fourth interim dividend paid March 23, 2012	-	5¢	131,863	-
First interim dividend paid June 22, 2012	-	6¢	158,235	-
Second interim dividend paid August 30, 2012	-	8¢	210,980	-
Third interim dividend paid December 14, 2012	-	4¢	105,491	-
			606,569	448,386
b. Dividend from subsidiary			820,000	475,000

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

42 CONTINGENCIES AND COMMITMENTS

(a) Contingencies - litigations

Epsilon Global Equities

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 in 2011, 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 2013. Attorneys representing the defendants expect the company to succeed the hearing and that the appeal will not result in a financial liability to the company.

Talisman Capital Alternative Investment Fund and EGE Limited

In August 2012, a civil suit was filed in the Courts in the Florida, USA jurisdiction by Talisman Capital Alternative Investment Fund and EGE Limited citing as defendants the Company and its shareholders. This suit is in respect of the same issues decided in the courts in Jamaica in favour of the Company and its shareholders, per Epsilon Global Equities suit above. The Attorneys representing the defendants expect their position to be upheld by the Florida Courts, as has been successfully done in the Jamaican Courts.

(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.

(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 (see Note 17).

(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 is renewable annually, 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 lottery licences granted by BGLC, annual licence fees of $26.4 million falls due for payment each year.

42 CONTINGENCIES AND COMMITMENTS (Cont'd)

(f) Capital commitments

	$'000
Furniture, fixtures and equipment	2,426
Gaming equipment	49,261
Leasehold improvements	18,066
	69,753

(g) Commitments - other

Commitments in respect of sponsorship agreements are as follows:

Year	$'000
2013	28,400

43 DE-LISTING

On July 2, 2012, the company completed the process of delisting its shares from the Trinidad and Tobago Stock Exchange.

44 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT

44.1 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.

44.2 Categories of financial instruments

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Financial assets				
Investment in subsidiaries	-	-	1,948,990	1,853,568
Loans and other receivables (including cash and cash equivalents)	2,553,683	2,126,799	1,495,382	1,390,559
Available-for-sale investments	14,759	1,883	14,759	1,883
	2,568,442	2,128,682	3,459,131	3,246,010
Financial liabilities				
Other financial liabilities at amortised cost	1,665,434	1,394,925	635,305	667,240

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

44.3 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 statement of financial position risk which includes liquidity, interest rates and foreign currency risks.

44.4 Credit risk management

44.4.1 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 controls credit exposure by maintaining a strict collection process. Lottery sale Agents are required to remit cash collections weekly which are monitored on a weekly basis by identification and transfer to designated bank accounts. A process of suppression of agent activity is triggered for non-compliance.

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

44.4 Credit risk management (Cont'd)

44.4.1 Credit risk (Cont'd)

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Cash and bank balances	1,660,455	1,418,477	130,451	164,454
Agent receivables	300,456	235,390	-	-
Investment in subsidiary	-	-	1,948,990	1,853,568
Long-term receivables	359,895	338,021	978,313	995,203
Receivables	232,877	134,911	81,495	92,743
Related party	-	-	305,123	138,159
Available-for-sale	14,759	1,883	14,759	1,883
	2,568,442	2,128,682	3,459,131	3,246,010

44.4.2 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 monitored and managed by the Finance Department in collaboration with the Field Area Management team, who has responsibility for liaising with the Selling Agents on behalf of the licensed group entity.

44.4.3 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.

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

44.5 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.

44.5.1 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 limits 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 statement of financial position liquidity ratios against internal and regulatory requirements.
- Maintenance of liquidity and funding contingency plans.

44.5.2 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.

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

44.5 Liquidity risk (Cont'd)

44.5.2 Liquidity and interest rate tables

	The Group				
2012	Weighted average effective interest rate %	Within 3 Months $'000	3 months to 1 year $'000	1 to 5 Years $'000	Total $'000
Financial assets					
Non-interest bearing		844,857	-	14,759	859,616
Variable interest rate instruments	0.31	756,069	839	361,008	1,117,916
Fixed interest rate instruments	3.11	594,732	-	-	594,732
		2,195,658	839	375,767	2,572,264
Financial liabilities					
Non-interest bearing		1,306,171	-	-	1,306,171
Interest bearing loan fixed rate	11.06	43,965	127,486	235,833	407,284
		1,350,136	127,486	235,833	1,713,455
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

SUPREME VENTURES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

44.5 Liquidity risk (Cont'd)

44.5.2 Liquidity and interest rate tables

	The Company						
	Weighted average effective interest rate	1 to 3 Months	3 months to 1 year	1 to 5 Years	Over 5 years	No specific Maturity	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000
2012							
Financial assets							
Non-interest bearing		446,131	-	-	14,759	1,948,990	2,409,880
Fixed interest rate instruments	7.69	98,425	33,522	179,998	1,100,931	-	1,412,876
		544,556	33,522	179,998	1,115,690	1,948,990	3,822,756
Financial liabilities							
Non-interest bearing		270,967	-	-	-	-	270,967
Fixed interest bearing loan	12	43,853	125,113	253,864	-	-	422,830
		314,820	125,113	253,864	-	-	693,797
2011							
Financial assets							
Non-interest bearing		444,932	-	-	1,883	1,853,568	2,300,383
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	1,853,568	4,311,331
Financial liabilities							
Non-interest bearing		302,386	-	-	-	-	302,386
Fixed interest bearing loan	10.80	128,327	74,731	256,021	-	-	459,079
		430,713	74,731	256,021	-	-	761,465

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

44.6 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.

44.6.1 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 current year was United States Dollar, Canadian Dollar and the British Pound. 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:

	The Group							
	2012							
	USD		CDN		GBP		KYD	
	US$ '000	J$ Equiv. '000	Cdn$ '000	J$ Equiv. '000	£ '000	J$ Equiv. '000	Kyd$ '000	J$ Equiv. '000
Total assets	6,206	572,221	-	42	-	4	-	1
Total liabilities	(312)	(28,797)	-	-	-	-	-	-
Net exposure	5,894	543,424	-	42	-	4	-	1

	2011					
	USD		CDN		GBP	
	US$ '000	J$ Equiv. '000	Cdn$ '000	J$ Equiv. '000	£ '000	J$ Equiv. '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

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

44.6 Market risk (Cont'd)

44.6.1 Foreign currency risk (Cont'd)

	The Company			
	2012		2011	
	USD		USD	
	US$	J$ Equiv.	US$	J$ Equiv.
	'000	'000	'000	'000
Total assets	48	4,397	509	44,063
Net exposure	48	4,397	509	44,063

44.6.2 Foreign currency sensitivity

The Group's sensitivity to a 1% increase/10% decrease in the Jamaican dollar against the USD, CDN and GBP is demonstrated below and represents management's assessment of the possible change in foreign exchange rates. In the prior year, the sensitivity rate used was 1% for increase/decrease. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts the translation at period end for a 1% increase or 10% decrease in the foreign exchange rates.

The sensitivity of the 1% increase/10% decrease in the Jamaican dollar on the foreign currency exposure is reflected below (2011: 1% increase/decrease):

	2012		2011
	Increase	Decrease	Increase/decrease
	1%	10%	1%
	$'000	$'000	$'000
USD	5,434	54,342	5,076
CDN	1	4	1
GBP	1	1	5
	5,436	54,347	5,082

The company

The sensitivity of the company to a 1% increase 10%decrease in the Jamaican dollar on the net United States dollar exposure would be $0.004 million/0.040 million (2011: 1% increase/decrease - $0.440 million).

44.6.3 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.

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

44.6 Market risk (Cont'd)

44.6.3 Interest rate risk

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 44.5.2).

44.6.4 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 is 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 400 basis point increase or 100 basis point 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 2011 the assumption was 100 basis point increase or decrease.

If market interest rates had been 400 basis points higher or 100 lower and all other variables were held constant:

	The Group	
	2012	2011
	$'000	$'000
Effect on net surplus increase 400 basis points	44,552	-
Effect on net surplus decrease 100 basis points	11,138	-
Effect on net surplus increase/ decrease of 100 basis points	-	3,380

44.6.5 Equity risk

Equity risks arise out of price fluctuation in the equity prices. The risk arises out of holding positions in either individual stocks (non-systemic risk) or in the market as a whole (systemic risk). The goal is to earn dividend income and realise capital gains sufficient to offset the interest foregone in holding such long-term positions.

The Group and the Company sets limits on the level of exposure, and diversification is a key strategy employed to reduce the impact on the portfolio, which may result from the non-performance of a specific class of assets. Given the potential volatility in the value of equities and the non-interest bearing characteristics of these instruments the Group and the Company limits the amount invested in them.

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

44.6 Market risk (Cont'd)

44.6.5 Equity risk (Cont'd)

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 10% higher/lower:

- net profit for the year ended December 31, 2012, would have been unaffected as the equity investments are classified as available-for-sale; and
- fair value reserves would have increased/decreased by $1.289 million (2011: $Nil) for the Group and the Company as a result of the changes in fair value of available-for-sale equities.

44.7 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 statement of financial position, 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.

Certain group entities are required to meet capital and lending restrictions as part of licensing requirement of the Betting, Gaming and Lotteries Act. This includes a requirement that the subsidiary SVL and Big 'A' Track 2003 Limited have an equity capitalization of not less than $500 million and $750,000 respectively (see Note 42 (b)).

At the end of the reporting period the entities were not in breach of the licensing requirements.

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

44.8 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.

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

44.8 Fair value of financial instruments (Cont'd)

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 values. 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) Quoted shares classified as available-for-sale are measured at fair value by reference to quoted market prices. Unquoted shares are stated at cost less impairment adjustments.

(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.

44.9 Fair value measurement recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurement are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) ; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). There were no level 3 fair value investments.

	2012			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Available-for-sale financial instruments				
Quoted shares	12,876	-	-	12,876
Other investments - unquoted shares	-	1,883	-	1,883
	12,876	1,883	-	14,759

	2011			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Available-for-sale financial instruments				
Quoted shares	-	-	-	-
Other investments - unquoted shares	-	1,883	-	1,883
	-	1,883	-	1,883

45 SUBSEQUENT EVENT

(a) Amalgamation

Subsequent to December 31, 2012, the Company commenced the process of amalgamating the betting, gaming and lotteries operations of its subsidiaries into a single operating entity.

(b) Change in tax rates

Based on tax revenue measures announced for fiscal year 2013/2014:

(i) Certain subsidiaries will meet the definition of large companies based on gross income in excess of $500 million with the effect that taxable income will have a surtax imposed at an additional 5% above the tax rate for unregulated entities of 25% (total 30% tax rate).

(ii) Lottery taxes (gross profit tax) on specified lottery games will increase from 17% and 23% to 20% and 25% respectively.

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