SUPREME VENTURES

Games people love to play...and more

# Interim Report to Stockholders

FOR NINE (9) MONTHS ENDED 30TH SEPTEMBER 201 7

**INTERIM REPORT TO STOCKHOLDERS**
*For the nine (9) months ended 30th September 2017*

## FINANCIAL PERFORMANCE

The Board of Directors of Supreme Ventures Limited presents the Group's unaudited financial statements for the nine months ended 30th September 2017.

The 2017 year-to-date results of $41.2 billion in revenues and $1.3 billion in net profit represent the Group's best performance within the first nine-months of any of its previous financial years. This constitutes a 25% ($8.2 billion) growth in revenues and 56% ($477.3 million) increase in net profit relative to the comparative nine-month period in 2016. A significant contributor to the year-to-date performance was the third-quarter net profit of $406.785 million, which represents a 102% improvement over the third-quarter net profit of $200.638 million in 2016.

Figure 1: Nine-month Revenue, 2013 – 2017

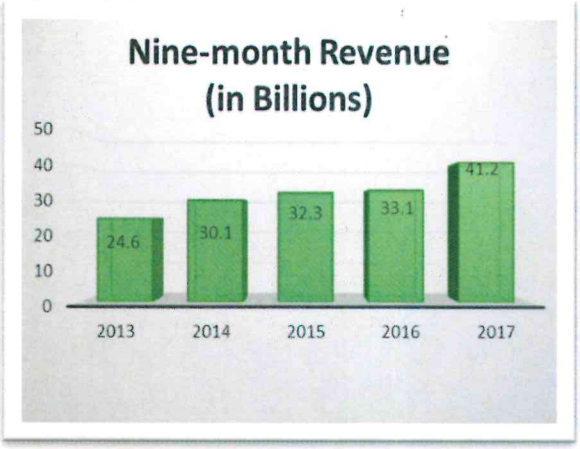


Figure 2: Nine-month Net Profit, 2013 - 2017

Earnings per share for the nine-month period was 50.32 cents (September, 2016: 32.22 cents). The Group's performance for the period is attributed mainly to the continued focus on its strategic priorities, which include:

1. **Revenue Growth** - the 24.7% revenue growth was due primarily to a 14.9% growth in revenue from lottery products, 17.8% growth in PIN code sales and the acquisition of the Caymanas horseracing operations in March, 2017, which contributed 38.6% of the overall increase in revenues.

2. **Optimizing Cost Efficiencies** – The increase in the Group's operating expenses ($390.8 million) was mainly impacted by the Caymanas operations. Operating expenses excluding the Caymanas operations, reduced by $168.5 million relative to 2016. The 19.2% growth in operating expenses for the nine-month period was outmatched by the growth in revenues (24.7%) and gross profits (31.7%), which is reflective of improved operating efficiencies. Accordingly, the Group's operating expense ratio (operating expenses expressed as a percentage of revenue) reduced from 6.1% for the 2016 nine-month period to 5.9% for 2017.

The primary component of finance costs for the nine-month ended September 30, 2017 is interest charges relating to the funding of the acquisition and development of the Caymanas Park operations, including a finance lease arrangement.

Based on its performance and acquisitions, the Group's total assets and shareholder's equity have grown, over the amounts reported at December 31, 2016, by $1.6 billion (or 29.1%) and $295 million (or 7.8%) respectively.

## SEGMENT RESULTS

Revenues from the lottery games portfolio has continued its strong growth trend from earlier quarters. This has improved the segment results for the nine-month ended September, 2017 by 51.9% over the comparative period in 2016. Stimulated by the successful deployment of marketing and retail initiatives, the Cash Pot and Pick 4 games, in particular, continue to benefit from increasing popularity amongst players. The Mega Ball feature, introduced in late March 2017, has been enjoying strong player demand and has contributed to the improved performance of the Cash Pot game.

The Group has replicated Mega Ball's impact on Cash Pot to achieve even greater success on the Money Time game. The Mega Ball feature was introduced to the Money Time game on September 17, which has added a new wave of excitement amongst players and further fuelling the momentum in sales growth.

Both the Sports Betting and VLT business lines have achieved significant improvements, with operating results for the nine-month period improving by $20.2 million (443%) and $105 million (73.4%) respectively. The VLT business is benefiting from continued renewal of gaming offerings and attractive player rewards, supported by more efficient lounge management. The re-sized Sports Betting business is performing ahead of its turn-around plan through more compelling bet offerings.

The Group is encouraged by the early results of the strategic initiatives implemented at the Caymanas Track operations. These include free entry to the park, increased purse size, earlier purse payments, facility upgrade, improved customer experience and greater attention to security of patrons. This has resulted in new and renewed interest within the industry, with a significant increase in applications for ownership of horses and heightened interest from sponsors.

## CORPORATE SOCIAL RESPONSIBILITY

The third quarter of 2017 saw SVL keeping its focus on corporate social responsibility through several initiatives and contributions on both an individual and national scale, in different areas. Our focus on sports continued with renewed sponsorship of the National Premier League. In addition to sponsorship of the event, SVL also took on the additional role as the sponsor for the health insurance for the League.

There were two initiatives in particular which gave us great pride and had significant impact. One was the "Simply Vested In Love" / #SVL campaign, the Back to School edition, held from August to September. Driven through social media, the initiative allowed members of the public to nominate individuals who were in desperate need of Back to School assistance. The initiative allowed us to assist over 100 families.

Our annual Junior Creators Camp was also staged in August for primary school students between the ages of eight and 11 years. We arranged and transported 120 students from various primary schools across the Corporate Area to Campion High School for two weeks, introducing them to a robotics and Lego programme that sought to increase students' interest in technology and innovation, with a view to improving their performance in the sciences.

## DIVIDENDS

Based on the financial results for the quarter ended September 30, 2017, the Board of Directors, on November 6, 2017, approved an ordinary dividend of $0.14 per share payable on December 4, 2017 to shareholders on record as at November 20, 2017. The Board of Directors also approved on November 6, 2017, a special dividend of $0.18 per share to be paid out of retained earnings as at September 30, 2017. This special dividend is payable on December 4, 2017 to shareholders on record as at November 20, 2017.

**OTHER ANNOUNCEMENTS**

Interim President & CEO, Mr. James "Danny" Morrison retired at the end of September, making way for new President & CEO, Mrs. Ann-Dawn Young Sang, who took office on October 1. We thank Mr. Morrison for his twelve years of service and commitment to SVL. The Company welcomes Mrs. Young Sang, and wish her all the very best in her role.

On Saturday, November 4, the Group's Chairman, Paul Hoo, resigned from the Board of SVL. His contribution to the Company's growth cannot be overstated. We wish for him the very best as he moves on. Deputy Chairman, Ian Levy, is acting as Chairman until a new Board Chairman has been appointed.

The Company also advises of the following changes to the composition of its Board following a meeting held on November 7, 2017:

Resignation:

- Independent Non-Executive Director, Mr. Peter Chin, has resigned as a Director of the Company, and consequently, as Chairman of the Audit Committee.

Appointment:

- Independent Non-Executive Director, Mr. Ansel Howell, has been appointed as a member of the Audit Committee.
- Mr. Peter McConnell has been appointed as a Non-Executive Director to fill a casual vacancy, effective November 7, 2017.
- Mr. W. David McConnell has been appointed as a Non-Executive Director to fill a casual vacancy, effective November 7, 2017.

The Chairman of the Audit Committee will be decided at the next meeting of the Board of Directors.

The Board of Directors continues to be thankful to all stakeholders for the commitment and confidence they continue to show in the Supreme Ventures Group. In particular, sincere gratitude to our valued customers, agents, management and staff for their unyielding support.

Ian Levy
**CHAIRMAN (ACTING)**

Ann-Dawn Young Sang
**PRESIDENT AND CEO**

# FINANCIAL STATEMENTS

**SUPREME VENTURES LIMITED**
**Nine Months Ended September 30, 2017**

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**SUPREME VENTURES LIMITED AND ITS SUBSIDIARIES**
**Group Statement of Financial Position**
**September 30, 2017**
*(Expressed in thousands of Jamaica dollars)*

| | Notes | Unaudited Nine Months Ended September 30, 2017 | Audited Year Ended December 31, 2016 | Unaudited Nine Months Ended September 30, 2016 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property and equipment | 3 | 1,356,542 | 732,392 | 710,702 |
| Investment properties | | 782,505 | 815,275 | 723,469 |
| Goodwill and intangible assets | | 648,050 | 645,705 | 640,811 |
| Long-term receivables | | 455,409 | 522,029 | 494,573 |
| Available-for-sale investments | | 1,883 | 8,843 | 8,843 |
| Other investments | | 18,837 | 19,667 | - |
| Deferred tax asset | | 211,929 | 117,445 | 148,718 |
| Total non-current assets | | 3,475,155 | 2,861,356 | 2,727,116 |
| **Current assets** | | | | |
| Inventories | | 167,612 | 192,601 | 273,609 |
| Income tax recoverable | | 18,194 | 15,385 | 16,330 |
| Trade and other receivables | | 920,882 | 864,100 | 816,757 |
| Cash and cash equivalents | | 2,431,106 | 1,499,908 | 1,313,945 |
| Total current assets | | 3,537,794 | 2,571,994 | 2,420,641 |
| **Total assets** | | 7,012,949 | 5,433,350 | 5,147,757 |
| **EQUITY AND LIABILITIES** | | | | |
| **Stockholders' equity** | | | | |
| Share capital | | 1,967,183 | 1,967,183 | 1,967,183 |
| Capital reserves | | 62,486 | 62,486 | 62,486 |
| Fair value reserves | | - | 3,480 | - |
| Retained earnings | | 2,065,568 | 1,767,052 | 1,570,150 |
| Total stockholders' equity | | 4,095,237 | 3,800,201 | 3,599,819 |
| **Non-current liabilities** | | | | |
| Long-term payables | | 18,837 | 26,604 | - |
| Long-term loans | 6 | 273,316 | - | - |
| Finance lease payable | 7 | 321,684 | - | - |
| Total non-current liabilities | | 613,837 | 26,604 | - |
| **Current liabilities** | | | | |
| Prize liabilities | | 286,198 | 242,839 | 204,579 |
| Trade and other payables | | 1,660,926 | 1,341,285 | 1,322,512 |
| Current portion of long-term loans | 6 | 107,619 | - | - |
| Income tax payable | | 249,132 | 22,421 | 20,847 |
| Total current liabilities | | 2,303,875 | 1,606,545 | 1,547,938 |
| **Total stockholders' equity and liabilities** | | 7,012,949 | 5,433,350 | 5,147,757 |

Approved and authorized for issue by the Board of Directors on November 4, 2017 and signed on its behalf by:

..... .....

Ian Levy – Chairman (Acting) Ann-Dawn Young Sang – President and CEO

**SUPREME VENTURES LIMITED AND ITS SUBSIDIARIES**
**Group Statement of Profit or Loss and Other Comprehensive Income**
**Period ended September 30, 2017**
*(Expressed in thousands of Jamaica dollars)*

| | Unaudited Nine Months Ended September 30, 2017 | Unaudited Nine Months Ended September 30, 2016 | Unaudited Three Months Ended September 30, 2017 | Unaudited Three Months Ended September 30, 2016 |
|---|---|---|---|---|
| **Revenue** | 41,237,861 | 33,055,306 | 13,868,321 | 10,901,187 |
| Direct expenses | (37,072,539) | (29,894,140) | (12,438,667) | (10,031,803) |
| **Gross profit** | 4,165,322 | 3,161,166 | 1,429,654 | 869,384 |
| Operating expenses | (2,419,202) | (2,028,393) | (903,156) | (615,763) |
| Profit from operations | 1,746,120 | 1,132,773 | 526,498 | 253,621 |
| Interest income | 71,425 | 49,246 | 29,357 | 15,608 |
| Net foreign exchange gain | (3,178) | 7,992 | (2,301) | 3,126 |
| Finance costs | (45,486) | (354) | (25,922) | (23) |
| Other gains | 3,742 | 3,480 | 3,742 | 2,958 |
| **Profit before taxation** | 1,772,623 | 1,193,137 | 531,374 | 275,290 |
| Taxation | (445,577) | (343,433) | (122,153) | (74,652) |
| **Profit for the period, being total comprehensive income for the period** | 1,327,046 | 849,704 | 409,221 | 200,638 |
| **Other comprehensive income** | | | | |
| Item transferred to profit or loss | | | | |
| Realised loss on available-for-sale investments | - | - | (2,436) | - |
| **Total comprehensive income for the period** | 1,327,046 | 849,704 | 406,785 | 200,638 |
| **Earnings per stock unit** | 50.32 cents | 32.22 cents | 15.52 cents | 7.61 cents |

**SUPREME VENTURES LIMITED AND ITS SUBSIDIARIES**
**Group Statement of Changes in Equity**
**Period ended September 30, 2017**
***(Expressed in thousands of Jamaica dollars)***

| | Share capital | Capital reserves | Fair value reserves | Retained earnings | Total |
|---|---|---|---|---|---|
| **Unaudited Nine Months Ended September 30, 2017** | | | | | |
| Balance as at December 31, 2016 | 1,967,183 | 62,486 | 3,480 | 1,767,052 | 3,800,201 |
| Profit for the period | - | - | - | 1,327,046 | 1,327,046 |
| Other comprehensive income: | | | | | |
| Realised gain on available-for-sale investments transferred to profit or loss | - | - | (3,480) | - | (3,480) |
| Total comprehensive income for the period | - | - | (3,480) | 1,327,046 | 1,323,566 |
| **Transactions with stockholders** | | | | | |
| Distributions | - | - | - | (1,028,530) | (1,028,530) |
| Balance as at September 30, 2017 | 1,967,183 | 62,486 | - | 2,065,568 | 4,095,237 |
| **Unaudited Nine Months Ended September 30, 2016** | | | | | |
| Balance as at December 31, 2015 | 1,967,183 | 62,486 | - | 1,564,368 | 3,594,037 |
| Profit for the period, being total comprehensive income for the period | - | - | - | 849,704 | 849,704 |
| **Transactions with stockholders** | | | | | |
| Distributions | - | - | - | (843,922) | (843,922) |
| Balance as at September 30, 2016 | 1,967,183 | 62,486 | - | 1,570,150 | 3,599,819 |

**SUPREME VENTURES LIMITED AND ITS SUBSIDIARIES**
**Group Statement of Cash Flows**
**Period ended September 30, 2017**
*(Expressed in thousands of Jamaica dollars)*

| | Unaudited Nine Months Ended September 30, 2017 | Unaudited Nine Months Ended September 30, 2016 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit for period | 1,327,046 | 849,704 |
| Adjustments for: | | |
| Depreciation of property and equipment | 172,840 | 130,631 |
| Depreciation of investment properties | 32,770 | 32,769 |
| Amortisation of intangible assets | 12,127 | 8,866 |
| Loss/(Gain) on disposal and write-off of property and equipment | 12,292 | (389) |
| Gain recognised on available for sale investments | (3,742) | (3,480) |
| Bad debts recognised | 8,754 | 67,498 |
| Net foreign exchange gain on cash and cash equivalents | 5,577 | (16,622) |
| Interest income | (71,425) | (49,246) |
| Interest expense | 45,486 | 354 |
| Taxation | 445,577 | 343,433 |
| Operating cash flow before movement in working capital | 1,987,302 | 1,363,518 |
| Decrease/(increase) in operating assets | | |
| Inventories | 34,326 | (124,196) |
| Trade and other receivables | (53,881) | (117,716) |
| Increase/(decrease) in liabilities | | |
| Trade and other payables | 317,965 | 70,792 |
| Other investments | 830 | - |
| Prize liabilities | 43,359 | (63,957) |
| Cash generated by operations | 2,329,901 | 1,128,441 |
| Income tax paid | (316,159) | (621,217) |
| Interest paid | (43,191) | (354) |
| Cash provided by operating activities | 1,970,551 | 506,870 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Business acquisition | (658,061) | - |
| Acquisition of property and equipment | (163,142) | (91,131) |
| Acquisition of intangible assets | (13,453) | (6,898) |
| Proceeds on sale of available for sale investments | 7,222 | - |
| Proceeds on disposal of property and equipment | 1,565 | 2,092 |
| Long-term receivables | 57,419 | 45,389 |
| Interest received | 68,971 | 45,874 |
| Cash used in investing activities | (699,479) | (4,674) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Dividends paid | (1,028,530) | (843,922) |
| Long term payables repaid | (8,386) | - |
| Loans received | 380,935 | - |
| Finance lease, net | 321,684 | - |
| Cash used in financing activities | (334,297) | (843,922) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | 936,775 | (341,726) |
| Effect of exchange rate changes on the balance of cash held in foreign currency | (5,577) | 16,622 |
| Cash and cash equivalents at the beginning of the period | 1,499,908 | 1,639,049 |
| **CASH AND CASH EQUIVALENTS AT THE END OF PERIOD** | 2,431,106 | 1,313,945 |

**SUPREME VENTURES LIMITED**
**AND ITS SUBSIDIARIES**
**NOTES TO THE FINANCIAL STATEMENTS**
**UNAUDITED NINE MONTHS ENDED SEPTEMBER 30, 2017**
*(Expressed in thousands of Jamaica dollars)*

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 located at the 4th Floor, The R. Danny Williams Building, 28-48 Barbados Avenue, Kingston 5, Jamaica, W.I.

The main activity of the Company is the management of its subsidiary companies (subsidiaries).

The Company and its subsidiaries are collectively referred to as "the Group" and are all incorporated in Jamaica.

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

| Name of company | Principal activity | Percentage ownership % |
|---|---|---|
| Prime Sports (Jamaica) Limited and its wholly-owned subsidiaries: | Betting, gaming and lottery operations licensed by the Betting, Gaming and Lotteries Commission (BGLC) | 100 |
| Bingo Investments Limited | Not trading | |
| Chillout Ventures Limited | Not trading | |
| Supreme Ventures Financial Services Limited | Not trading | 100 |
| Supreme Ventures Lotteries Limited | Not trading | 100 |
| Transtel Jamaica Limited | Not trading | 100 |
| Big 'A' Track 2003 Limited | Pin code sales | 100 |
| Supreme Ventures Racing and Entertainment Limited (note 5) | Horse racing | 100 |

In addition to the entities above, the Group also includes Jamaica Lottery Company Limited, which has been placed into liquidation.

2. Statement of compliance and basis of preparation

(a) Statement of Compliance

These unaudited interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting,* and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended December 31, 2016. They do not include all of the information required for a complete set of International Financial Reporting Standards (IFRS) financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements. The accounting policies followed in these interim financial statements are consistent with those used in the audited financial statements as at and for the year ended December 31, 2016.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis, except for the inclusion of available-for-sale investments at fair value.

**SUPREME VENTURES LIMITED**
**AND ITS SUBSIDIARIES**
**NOTES TO THE FINANCIAL STATEMENTS**
**UNAUDITED NINE MONTHS ENDED SEPTEMBER 30, 2017**
*(Expressed in thousands of Jamaica dollars)*

2. Statement of compliance and basis of preparation (continued)

(c) Functional and presentation currency

The financial statements are presented in Jamaica dollars ($), which is the functional currency of the Company and all its subsidiaries.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the application of accounting policies and the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the period ended. Although these estimates are based on management's best knowledge of current events and actions, actual amounts could 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.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2016.

(e) Where necessary, comparative amounts have been reclassified to conform with changes in the presentation in the current reporting period.

**SUPREME VENTURES LIMITED**
**AND ITS SUBSIDIARIES**
**NOTES TO THE FINANCIAL STATEMENTS**
**UNAUDITED NINE MONTHS ENDED SEPTEMBER 30, 2017**
*(Expressed in thousands of Jamaica dollars)*

## 3. Property and equipment

| | The Group | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Freehold Land | Freehold Buildings | *Leased Property | Tote Equipment | Leasehold Improvements | Video Lottery Terminal Equipment | Furniture, Fixtures, Machinery and Equipment | Computer Equipment | Motor Vehicles | Arts and Paintings | Signs and Posters | Capital Work in Progress | Total |
| **Cost** | | | | | | | | | | | | | |
| December 31, 2015 | 33,700 | 204,620 | - | - | 336,703 | 480,696 | 988,992 | 84,322 | 131,441 | 2,363 | 31,676 | - | 2,294,513 |
| Additions | - | - | - | - | 17,567 | 37,430 | 59,154 | 21,982 | 18,500 | 91 | 1,006 | 13,305 | 169,035 |
| Disposals/write-offs | - | - | - | - | - | (29,990) | (90) | (142) | (22,123) | - | - | - | (52,345) |
| December 31, 2016 | 33,700 | 204,620 | - | - | 354,270 | 488,136 | 1,048,056 | 106,162 | 127,818 | 2,454 | 32,682 | 13,305 | 2,411,203 |
| Acquisitions through business combinations (note 5) | - | - | 417,911 | 74,942 | - | - | 131,250 | 2,811 | 2,525 | - | 67 | 18,199 | 647,705 |
| Additions | - | - | | - | 38,719 | 7,673 | 94,886 | 5,484 | 16,380 | - | - | - | 163,142 |
| Transfers in/(out) | - | - | - | - | - | 13,305 | - | - | - | - | - | (13,305) | - |
| Disposals/write-offs | - | - | | | - | (33,759) | (186,879) | (8,691) | (12,034) | - | - | - | (241,363) |
| September 30, 2017 | 33,700 | 204,620 | 417,911 | 74,942 | 392,989 | 475,355 | 1,087,313 | 105,766 | 134,689 | 2,454 | 32,749 | 18,199 | 2,980,687 |
| **Accumulated depreciation** | | | | | | | | | | | | | |
| December 31, 2015 | - | 32,731 | - | - | 218,875 | 365,875 | 743,900 | 62,070 | 93,360 | - | 25,797 | - | 1,542,608 |
| Depreciation | - | 5,116 | - | - | 27,415 | 52,276 | 60,534 | 10,942 | 22,960 | - | 914 | - | 180,157 |
| Disposals | - | - | - | - | - | (23,085) | (50) | - | (20,819) | - | - | - | (43,954) |
| December 31, 2016 | - | 37,847 | - | - | 246,290 | 395,066 | 804,384 | 73,012 | 95,501 | - | 26,711 | - | 1,678,811 |
| Depreciation | - | 3,837 | 8,126 | 26,366 | 21,918 | 28,392 | 60,325 | 11,045 | 12,170 | - | 661 | - | 172,840 |
| Disposals/write-offs | - | - | - | - | - | (33,759) | (174,260) | (7,688) | (11,799) | - | - | - | (227,506) |
| September 30, 2017 | - | 41,684 | 8,126 | 26,366 | 268,208 | 389,699 | 690,449 | 76,369 | 95,872 | - | 27,372 | - | 1,624,145 |
| **Net book values** | | | | | | | | | | | | | |
| September 30, 2017 | 33,700 | 162,936 | 409,785 | 48,576 | 124,781 | 85,656 | 396,864 | 29,397 | 38,817 | 2,454 | 5,377 | 18,199 | 1,356,542 |
| December 31, 2016 | 33,700 | 166,773 | - | - | 107,980 | 93,070 | 243,672 | 33,150 | 32,317 | 2,454 | 5,971 | 13,305 | 732,392 |

*This represents a 30-year renewable lease of the Caymanas park property (see also notes 5 and 7).

**SUPREME VENTURES LIMITED**
**AND ITS SUBSIDIARIES**
**NOTES TO THE FINANCIAL STATEMENTS**
**UNAUDITED NINE MONTHS ENDED SEPTEMBER 30, 2017**
*(Expressed in thousands of Jamaica dollars)*

4. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are reviewed regularly to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results are reported to the Group's executive management (collectively considered the chief operating decision maker) which includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

No geographical segment reporting is recognised as the Group's operations are located solely in Jamaica.

| | Period ended September 30, 2017 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Lottery | Gaming | Horseracing | Sports Betting | Pin Codes | Other | Unallocated | Eliminations | Group |
| **External revenue** | 29,746,867 | 281,041 | 3,271,879 | 516,374 | 7,402,548 | 5,615 | 13,537 | - | 41,237,861 |
| Inter-segment revenue | - | - | 2,876 | - | - | - | - | (2,876) | - |
| Total revenue | 29,746,867 | 281,041 | 3,274,755 | 516,374 | 7,402,548 | 5,615 | 13,537 | (2,876) | 41,237,861 |
| **Result** | | | | | | | | | |
| Segment result | 1,923,187 | 16,549 | (193,979) | (38,100) | 100,491 | 2,914 | (64,942) | - | 1,746,120 |
| Interest income | | | | | | | | | 71,425 |
| Net foreign exchange loss | | | | | | | | | (3,178) |
| Finance cost | | | | | | | | | (45,486) |
| Other gains | | | | | | | | | 3,742 |
| Profit before taxation | | | | | | | | | 1,772,623 |
| Taxation | | | | | | | | | (445,577) |
| **Profit for the year** | | | | | | | | | 1,327,046 |
| **Other information** | | | | | | | | | |
| Capital expenditure | 100,824 | 24,185 | 703,796 | - | - | - | 5,851 | - | 834,656 |
| Depreciation, amortisation and write-offs | 31,316 | 40,169 | 50,018 | 14,514 | - | - | 94,012 | - | 230,029 |
| Segment assets | 2,349,668 | 696,645 | 894,140 | 142,145 | 1,055,544 | - | 1,874,807 | - | 7,012,949 |
| Segment liabilities | 981,911 | 26,839 | 929,458 | 20,150 | 803,440 | - | 155,914 | - | 2,917,712 |

**SUPREME VENTURES LIMITED**
**AND ITS SUBSIDIARIES**
**NOTES TO THE FINANCIAL STATEMENTS**
**UNAUDITED NINE MONTHS ENDED SEPTEMBER 30, 2017**
*(Expressed in thousands of Jamaica dollars)*

4. Segment reporting (continued)

| | Period ended September 30, 2016 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Lottery | Gaming | Horseracing | Sports Betting | Pin Codes | Other | Unallocated | Eliminations | Group |
| **External revenue, being total revenue** | 25,869,314 | 264,609 | - | 565,388 | 6,283,745 | 61,369 | 10,881 | - | 33,055,306 |
| **Result** | | | | | | | | | |
| Segment result | 1,266,410 | (3,732) | - | (143,055) | 78,595 | 1,812 | (67,257) | - | 1,132,773 |
| Interest income | | | | | | | | | 49,246 |
| Net foreign exchange loss | | | | | | | | | 7,992 |
| Finance cost | | | | | | | | | (354) |
| Other gains | | | | | | | | | 3,480 |
| Profit before taxation | | | | | | | | | 1,193,137 |
| Taxation | | | | | | | | | (343,433) |
| **Profit for the year** | | | | | | | | | 849,704 |
| **Other information** | | | | | | | | | |
| Capital expenditure | 36,938 | 4,343 | - | 11,632 | - | - | 45,116 | - | 98,029 |
| Depreciation, amortisation and write-offs | 31,981 | 46,607 | - | 13,948 | - | - | 79,341 | - | 171,877 |
| Segment assets | 1,274,125 | 457,328 | - | 105,022 | 1,005,254 | - | 2,306,028 | - | 5,147,757 |
| Segment liabilities | 561,850 | 25,663 | - | 17,824 | 797,258 | - | 145,343 | - | 1,547,938 |

5. Business acquisition

On February 10, 2017, the Company and its wholly-owned subsidiary, Supreme Ventures Racing & Entertainment Limited, signed an agreement for the acquisition of the horse-racing and simulcast horse-racing promotion, and pari-mutuel pool operations of Caymanas Track Limited (CTL) effective March 7, 2017. The agreement comprises the purchase of chattels and a thirty (30) year renewable lease of CTL's property. This lease arrangement has been determined to be a finance lease and is recognised accordingly in these financial statements (refer also to notes 3 and 7). The company has not yet completed the acquisition accounting process as the required valuations have not yet been finalized. IFRS 3 allows the acquirer reasonable time to obtain information necessary to identify and measure identifiable assets acquired and liabilities assumed. Management expects that this assessment will be concluded by the end of the financial year. The following summarises the consideration transferred and the provisional amounts for assets acquired at the acquisition date.

| **Consideration transferred:** | September 30, 2017 |
|---|---|
| Cash | 305,752 |
| Finance Lease Payable | 304,595 |
| | 610,347 |

**Identifiable assets acquired**

| | September 30, 2017 |
|---|---|
| Property and equipment | 647,705 |
| Intangible asset – computer software | 1,019 |
| Inventories | 9,337 |
| | 658,061 |

**SUPREME VENTURES LIMITED**
**AND ITS SUBSIDIARIES**
**NOTES TO THE FINANCIAL STATEMENTS**
**UNAUDITED NINE MONTHS ENDED SEPTEMBER 30, 2017**
*(Expressed in thousands of Jamaica dollars)*

6. Long-term loans

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| Balance at beginning of year | - | - |
| Total loans received | 380,935 | - |
| Total amounts repaid | - | - |
| | 380,935 | - |
| Less: current portion | (107,619) | - |
| | 273,316 | - |

In December 2016, the Company obtained a credit facility amounting to $650 million from Sagicor Bank Jamaica Limited to support the Group's acquisition of the Caymanas Track operations (note 5). The credit facility comprises a $500 million 5-year term loan and a $150 million revolving loan. The term facility includes a moratorium of twelve (12) months on principal payments, with interest accruing at a rate of 9% per annum. Each drawdown under the revolving facility is repayable within twelve (12) months of disbursement.

7. Finance lease payable

| | Period ended September 30, 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Future Minimum Lease Payments | Interest | Present Value of Minimum Lease Payments | Future Minimum Lease Payments | Interest | Present Value of Minimum Lease Payments |
| | USD '000 | USD '000 | USD '000 | JMD '000 | JMD '000 | JMD '000 |
| Within 1 year | - | - | - | - | - | - |
| Over 1 to 5 years | 915 | (253) | 662 | 119,633 | (33,055) | 86,578 |
| Over 5 years | 7,320 | (5,522) | 1,798 | 957,061 | (721,955) | 235,106 |
| Total | 8,235 | (5,775) | 2,460 | 1,076,694 | (755,010) | 321,684 |

For the period ended September 30, 2017, interest accrued on finance lease payable amounts to $17.089 million. Refer also to notes 3 and 5.

**SUPREME VENTURES LIMITED**
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8. 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 stockholders. The matter was decided in 2011, with a judgement in favour of the stockholders and the Company. Epsilon appealed the judgement. The appeal was heard in April 2015. It is expected that the Court will give its decision by December 31, 2017. The attorneys representing the Company expect to succeed 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 of Florida, USA, by Talisman Capital Alternative Investment Fund and EGE Limited citing as defendants the Company and certain of its stockholders. This suit is in respect of most of the same issues decided in the Supreme Court in Jamaica in favour of the Company and some of its stockholders (see above).

In April 2013, the Federal Bankruptcy Court in Florida granted a motion by SVL and other defendants to dismiss the complaint. The plaintiffs then filed objections to the dismissal. Subsequently, the court granted a motion by SVL and other defendants to strike out the objections. The plaintiffs then moved for reconsideration of the order. The motions were heard and SVL and other defendants were successful on the motions and were either discharged from the proceedings or the plaintiffs were ordered to re-file the proceedings. The Plaintiffs have appealed the Order. The appeal has been heard and the decision is pending.

The attorneys representing SVL expect SVL's position to be upheld by the Appeal Court.

# SHAREHOLDINGS

# SUPREME VENTURES LIMITED
# TOP 10 SHAREHOLDINGS
# AS AT SEPTEMBER 30, 2017

| NAME | JOINT HOLDERS | Volume | % |
|---|---|---|---|
| Intralot Caribbean Ventures Ltd | | **1,315,895,445** | **49.896** |
| Ian Kent Levy | | 320,541,171 | 12.154 |
| | Matthew Levy | 4,000,000 | 0.152 |
| | | **324,541,171** | **12.306** |
| Janette Stewart | | 105,005,043 | 3.982 |
| | | 65,000,000 | 2.465 |
| | Steven Hudson | 587,433 | 0.022 |
| | | **170,592,476** | **6.469** |
| Paul Hoo | | **150,000,000** | 5.688 |
| Stephen Castagne | | **144,396,828** | **5.475** |
| Mayberry West Indies Limited | | **63,416,076** | **2.405** |
| Sunfisher Corporation | | **24,648,118** | **0.935** |
| Sagicor Pooled Equity Fund | | **23,313,478** | **0.884** |
| Keith Binns | | **20,000,000** | **0.758** |
| GTECH Global Services Corporation Ltd. | | **15,899,803** | **0.603** |

# SUPREME VENTURES LIMITED
# DIRECTORS' SHAREHOLDINGS
# AS AT SEPTEMBER 30, 2017

| DIRECTOR NAMES | PRIMARY HOLDER | JOINT HOLDERS/CONNECTED INTEREST | VOLUME | PERCENTAGE |
|---|---|---|---|---|
| Paul Hoo | Paul Hoo | | 150,000,000 | 5.688 |
| | | | **150,000,000** | **5.688** |
| Ian Kent Levy | Ian Kent Levy | | 320,541,171 | 12.154 |
| | Ian Kent Levy | Matthew Kent Levy | 4,000,000 | 0.152 |
| | | | **324,541,171** | **12.306** |
| Steven A. Hudson | Janette Stewart | Steven A. Hudson | 587,433 | 0.022 |
| | | | **587,433** | **0.022** |
| James Morrison | James Morrison | Joan M. Morrison | **345,165** | 0.013 |
| | | | **345,165** | **0.013** |
| John George Graham | John George Graham | Tracey Adams-Goldson | **NIL** | **NIL** |
| | KRASS Investments Limited | John Graham | **NIL** | **NIL** |
| Richard Foreman | Kelsey Investment Services Ltd | | 1,000 | 0.000 |
| | | | **1,000** | **0.000** |
| Georgios Sampson | | | **Nil** | **Nil** |
| Brent Sankar | | | **Nil** | **Nil** |
| Nikolaos Nikolakopoulos | | | **Nil** | **Nil** |
| Peter Chin | | | **Nil** | **Nil** |
| Ian Moore | | | **Nil** | **Nil** |

# SUPREME VENTURES LIMITED
## SENIOR MANAGEMENT'S SHAREHOLDINGS
## AS AT SEPTEMBER 30, 2017

| NAME (S) | JOINT HOLDERS/CONNECTED INTEREST | VOLUME | PERCENTAGE |
|---|---|---|---|
| James E. Morrison | Joan M. Morrison | **345,165** | **0.0131** |
| Lancelot Thomas | | **NIL** | **NIL** |
| Wayne Boodasingh | | **NIL** | **NIL** |
| Lorna Gooden | Gregory Paul Anthony Gooden | 8,300 | 0.0003 |
| | | 8,300 | 0.0003 |
| | | **16,600** | **0.0006** |
| Andrew Bromley | | **4,000** | **0.0002** |
| Adam Harris | | **NIL** | **NIL** |
| Krista-Gaye Fisher | | **NIL** | **NIL** |
| Tashia Hutton | | **NIL** | **NIL** |
| Andre Marks | | 2,200 | 0.0001 |
| | Opel Marks | 5,500 | 0.0002 |
| | | **7,700** | **0.0003** |
| Simone Clarke-Cooper | | **NIL** | **NIL** |
| Jason Hall | | **NIL** | **NIL** |
| Brando Hayden | | **NIL** | **NIL** |
| Carolyn Bolt-Nicholas | | **NIL** | **NIL** |

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