SUPREME VENTURES

Games people love to play...and more

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

pwc

Supreme Ventures Limited

Consolidated Financial Statements
31 December 2018

Independent auditor's report

To the Members of Supreme Ventures Limited

Report on the audit of the consolidated and stand-alone financial statements

Our opinion

In our opinion, the consolidated financial statements and the stand-alone financial statements give a true and fair view of the consolidated financial position of Supreme Ventures Limited (the Company) and its subsidiaries (together 'the Group') and the stand-alone financial position of the Company as at 31 December 2018, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Jamaican Companies Act.

What we have audited

Supreme Ventures Limited's consolidated and stand-alone financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the company statement of financial position as at 31 December 2018;
- the company statement of comprehensive income for the year then ended;
- the company statement of changes in equity for the year then ended;
- the company statement of cash flows for the year then ended; and
- the notes to the consolidated and stand-alone financial statements, which include significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements* section of our report.

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

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: (876) 922 7581, www.pwc.com/jm

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and stand-alone financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and stand-alone financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and stand-alone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters, as it pertains to the stand-alone financial statements in our report.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties *See notes 2 (f), 4 (i) and 18 to the consolidated financial statements for disclosures of related accounting policies, judgements and estimates.* Investment properties represented \$892.5 million or 13.5% of total assets for the Group as at 31 December 2018. The determination of the fair value of investment properties requires significant judgement and is inherently subjective due to, among other factors the individual nature of each property, its location and the expected future rental income for each particular property. This combined with the fact that a small percentage difference in individual property valuation assumptions when aggregated, could result in a material	We engaged independent qualified valuation experts that evaluated the work of management's expert. With the assistance of the independent qualified valuers, we performed the following procedures: • Evaluated the competence and objectivity of management's experts. This included confirming that they are appropriately qualified and not affiliated to the Group. • Obtained an understanding of the valuation methods used by management along with significant developments within the industry. This included appropriateness of the valuation

Key audit matter	How our audit addressed the key audit matter
misstatement, is why we have focused on this area. Management, with the assistance of independent valuation experts, used a combination of two methods to value select investment property namely, the market comparison approach and the investment approach. The market comparison approach relies on suitable and substantial sales evidence of properties within the geographic location, adjusting for certain pertinent factors, to form a basis for comparison. Whereas the investment approach capitalises the net income from the investment over its projected useful life and takes into consideration a number of factors which require estimation and judgement. The key factors include estimation of rental income; determination of a capitalisation factor; and estimation of vacancy factor. In establishing the market value for the remaining investment property, management used a combined market comparison approach and a 'residual' approach where the value was determined as that residue or difference between the gross development value of the 'highest and best use' of the site less its attendant costs.	methodology used and suitability for determining market value in accordance with the financial reporting framework. • Agreed the inputs in the various methods to supporting documentation for the key factors being the estimation of rental income, the capitalisation factor and the vacancy factor. • Evaluated management's results for the estimation of rental income, the capitalisation factor and the vacancy factor by benchmarking the assumptions used to relevant market evidence, which included performing comparisons to properties within similar geographical locations adjusted for relevant factors and developed a point estimate based on the information that was obtained from performing the above procedures Based on the testing performed, no material adjustment to the carrying value of investment properties was considered necessary.
Impairment Assessment of Goodwill *Refer to notes 2 (g), 4(ii) and 19 of the consolidated financial statements for disclosures of related accounting policies, judgments and estimate and balances.*	
Goodwill accounts for $190 million or 2.87% of total assets for the Group as at 31 December 2018. Management performs an annual impairment analysis over the goodwill balance. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The assessment of the carrying value of goodwill involves significant judgement increasing the risk of estimation uncertainty in relation to forecasting future	We tested management's assumptions used in their impairment testing model for goodwill, including the future cash flow projections, discount rates and growth rates applied. With the assistance of our valuations experts, we performed the following procedures: • Obtained management's discounted cash flow model (DCF) including qualitative and quantitative analyses and obtained an understanding of the process used by management

Key audit matter	How our audit addressed the key audit matter
cash flows and is sensitive to growth rates, discount rates, weighted average cost of capital (WACC), tax rates and capital expenditures applied to the future cash flows. The subjectivity surrounding the impairment assessment, could result in a material misstatement, and as such we have focused on this area.	to determine fair value of each cash generating unit. • Agreed the 31 December 2018 base year financial information to audited results and compared the current year forecast to most recent audited results. We compared previous forecasts to actual results to assess the performance of the business and the accuracy of management's forecasting. • Tested management's assumptions as follows: ➢ ***Revenue growth rates*** – compared the revenue growth rates to historical revenue growth and externally derived data as well as our own assessments in relation to key inputs such as projected economic growth, inflation and discount rates; ➢ ***Tax rates*** - compared the tax rate to the entity's effective tax rate current tax regulations; ➢ ***Capital expenditures*** –compared capital expenditures to historical amounts and discussed with management their capital expenditure plans; ➢ ***Working capital requirements*** – compared the forecasted amounts to historical working capital requirements; and ➢ ***WACC & terminal value*** – evaluated management's weighted average cost of capital and terminal value, whereby we developed a range of parameters using available market inputs and performed sensitivity analyses using these parameters to determine the reasonableness of management's fair value measurements • Considered subsequent events and impact on the entity's cash flows and forecasts • In testing management's evaluation model, we checked the calculations for mathematical accuracy and considered the sensitivity of the calculation by varying the key assumptions and adjustments within management's forecast. Based on the testing performed, no material adjustment to the carrying value of goodwill was considered necessary.

Other Matter

The financial statements of the company for the year ended 31 December 2017 were audited by another firm of auditors whose report, dated 26 February 2018, expressed an unmodified opinion on those statements.

As part of our audit of the 2018 financial statements, we also audited the adjustments described in Note 42 that were applied to amend the 2017 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2017 consolidated and stand-alone financial statements of the Group other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2017 consolidated and stand-alone financial statements taken as a whole.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated and stand-alone financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and stand-alone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and stand-alone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and stand-alone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated and stand-alone financial statements

Management is responsible for the preparation of the consolidated and stand-alone financial statements that give a true and fair view in accordance with IFRS and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of consolidated and stand-alone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and stand-alone financial statements, management is responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and stand-alone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and stand-alone financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and stand-alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group or Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and stand-alone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the consolidated and stand-alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and stand-alone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by the Jamaican Companies Act, 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 kept, so far as appears from our examination of those records, and the accompanying consolidated and stand-alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

The engagement partner on the audit resulting in this independent auditor's report is Leighton McKnight.

PricewaterhouseCoopers

Chartered Accountants
28 February 2019
Kingston, Jamaica

Supreme Ventures Limited
Index
31 December 2018

Supreme Ventures Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	Restated 2017 $'000
Revenue - Non-fixed odd wagering games, horse racing and pin codes	6	19,484,179	17,755,425
Income from fixed odd wagering games, net of prizes	7	13,451,851	11,925,402
Total Gaming Income		32,936,030	29,680,827
Direct Costs	9	(26,443,983)	(24,074,214)
Gross Profit		6,492,047	5,606,613
Other income	10	224,045	237,659
Selling, general and administrative expenses	11	(3,844,128)	(3,423,659)
Net Impairment losses on intangible assets		-	(318,107)
Operating Profit		2,871,964	2,102,506
Finance costs	13	(56,026)	(60,863)
Revaluation gain in investment property	18	72,500	4,726
Profit before Taxation		2,888,438	2,046,369
Taxation	14	(790,030)	(647,713)
Profit for the Year		2,098,408	1,398,656
Other comprehensive income			
Item that may be reclassified to profit or loss:			
Realised gain on available-for sale investments		-	(3,480)
Total Comprehensive Income for the year		2,098,408	1,395,176
Earnings per stock unit attributable to owners of the parent during the year			
Basic and fully diluted	16	79.57 cents	53.03 cents

Supreme Ventures Limited
Consolidated Statement of Financial Position
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	Restated 2017 $'000
Non-Current Assets			
Property and equipment	17	1,239,162	1,164,479
Investment properties	18	892,500	820,000
Goodwill and intangible assets	19	297,002	317,555
Long-term receivables	20	29,157	29,782
Financial assets at amortised cost		1,883	1,883
Other investments	21	17,980	18,852
Deferred tax assets	22	203,530	166,180
		2,681,214	2,518,731
Current Assets			
Inventories	23	131,089	197,461
Trade and other receivable	24	805,333	1,001,112
Current portion of long-term receivables	20	1,117	1,117
Assets held for sale	25	-	92,010
Short-term investment	26	-	100,000
Taxation recoverable		17,167	25,680
Cash and cash equivalents	27	2,979,524	2,440,750
		3,934,230	3,858,130
Current liabilities			
Prize liabilities	28	559,403	400,780
Contract liabilities	41	3,414	-
Trade and other payables	29	1,937,048	1,615,666
Current portion of finance lease	33	16,287	-
Current portion of long term loans	32	80,804	130,512
Income tax payable		230,110	314,394
		2,827,066	2,461,352
Net Current Assets		1,107,164	1,396,778
		3,788,378	3,915,509

Supreme Ventures Limited
Consolidated Statement of Financial Position(Continued)
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	Restated 2017 $'000
Equity			
Attributable to Shareholders of the Company			
Share capital	30	1,967,183	1,967,183
Capital reserve	31	62,486	62,486
Fair value reserve		-	-
Retained earnings	15	1,255,489	1,293,257
		3,285,158	3,322,926
Non-current liabilities			
Long term payables	32	79,636	276,871
Finance lease obligation	33	423,584	315,712
		503,220	592,583
		3,788,378	3,915,509

Approved for issue by the Board of Directors on 21 February 2019 and signed on its behalf:

W. David McConnell **Director**

Ann Dawn Young Sang **Director**

Supreme Ventures Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares '000	Share Capital $'000	Capital Reserve $'000	Fair value Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2017, as previously stated	2,637,255	1,967,183	62,486	3,480	1,767,052	3,800,201
Profit for the year, as restated	-	-	-	-	1,398,656	1,398,656
Realised gain on available-for-sale investments	-	-	-	(3,480)	-	(3,480)
Total comprehensive income for 2017	-	-	-	(3,480)	1,398,656	1,395,176
Transactions with stockholders						
Distributions (note 37)	-	-	-	-	(1,872,451)	(1,872,451)
Balance at 31 December 2017, as restated	2,637,255	1,967,183	62,486	-	1,293,257	3,322,926
Profit for the year and total comprehensive income	-	-	-	-	2,098,408	2,098,408
Transactions with stockholders						
Distributions (note 37)	-	-	-	-	(2,136,176)	(2,136,176)
Balance at 31 December 2018	2,637,255	1,967,183	62,486	-	1,255,489	3,285,158

Supreme Ventures Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	Restated 2017 $'000
Cash Flows from Operating Activities			
Profit for the year		2,098,408	1,398,656
Adjustments for:			
Depreciation of property and equipment	17	260,660	266,411
Amortisation of intangible assets	19	33,281	29,695
(Gain)/Loss on disposal and write-off of property and equipment	10	(58,522)	12,525
Revaluation gains on investment properties		(72,500)	(4,726)
Impairment of intangible assets		-	318,107
Gains recognised on available for sale investments		-	(3,742)
Gains recognised on purchase of business assets		-	(3,936)
Bad debts recognised		4,979	30,996
Net foreign exchange gain on cash and cash equivalents		(22,520)	(23,929)
Interest income	10	(63,476)	(90,995)
Interest expense	13	53,875	54,953
Taxation	14	790,030	647,713
Operating cash flow before movement in working capital		3,024,215	2,631,728
Change in non-cash working capital balances:			
Inventories		57,035	4,477
Trade and other receivables		213,691	(217,209)
Trade and other payables		78,609	257,087
Prize liabilities		158,623	157,126
Other Investments		(872)	-
Cash generated by operations		3,531,301	2,833,209
Interest paid		(760,836)	(414,768)
Taxation paid, net		(91,929)	(28,190)
Cash provided by operating activities		2,678,536	2,390,251
Cash Flows from Investing Activities			
Business acquisition		-	(305,752)
Acquisition of property and equipment		(410,324)	(198,563)
Acquisition of intangible assets		(12,728)	(18,633)
Proceeds on disposal of property and equipment		135,429	1,565
Proceeds on disposal of available for sale investments		-	7,222
Long-term receivables		625	543,779
Other investment		-	815
Short-term investment		100,000	(100,000)
Interest received		89,730	87,548
Cash (used in)/ provided by investing activities		(97,268)	17,981
Cash flows from operating and investing activities carried forward		2,581,268	2,408,232

Supreme Ventures Limited
Consolidated Statement of Cash Flows (Continued)
Year ended 31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

	2018 $'000	Restated 2017 $'000
Cash flows from operating and investing activities brought forward	2,581,268	2,408,232
Cash Flows from Financing Activities		
Repayment of long term payables	(21,871)	-
Addition of long term liabilites	-	380,934
Dividends paid	(2,136,176)	(1,872,451)
Additions to finance lease	132,842	24,509
Repayment of finance lease	(11,144)	(8,810)
Cash used in financing activities	(2,036,349)	(1,475,818)
NET INCREASE IN CASH AND CASH EQUIVALENTS	544,919	932,414
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	(6,145)	8,428
Cash and cash equivalents at the beginning of the year	2,440,750	1,499,908
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2,979,524	2,440,750

Supreme Ventures Limited

Company Statement of Comprehensive Income

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Income	8	2,868,851	2,001,926
Operating expenses	11	(554,927)	(496,586)
Operating profit		2,313,924	1,505,340
Other income	10	16,571	49,128
Finance costs	13	(20,804)	(37,745)
Profit before taxation		2,309,691	1,516,723
Tax (charge)/credit	14	(7,170)	4,479
Profit for the year		2,302,521	1,521,202
Other comprehensive income			
Item that may be reclassified to profit or loss			
Realised gain on available-for-sale investments		-	(3,480)
Total comprehensive income for the year		2,302,521	1,517,722

Supreme Ventures Limited
Company Statement of Financial Position
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Non Current Assets			
Property and equipment	17	139,345	94,193
Investment in subsidiaries	34	2,094,412	2,094,412
Goodwill and intangible assets	19	191,990	193,239
Long-term receivables	20	344,621	-
Financial assets at amortised cost		1,883	1,883
Deferred tax assets	22	3,110	5,478
		2,775,361	2,389,205
Current Assets			
Income tax recoverable		12,188	14,939
Due from subsidiaries	35	186,101	468,582
Trade and other receivables	24	52,870	20,848
Short-term investment	26	-	100,000
Cash and cash equivalents	27	59,037	107,869
		310,196	712,238
Current liabilities			
Trade and other payables	29	133,027	77,495
Current portion of long term payable	32	80,804	122,129
Due to subsidiary	35	2,686	2,803
		216,517	202,427
Net Current Assets		93,679	509,811
		2,869,040	2,899,016
Equity			
Attributable to Shareholders of the Company			
Share capital	30	1,967,183	1,967,183
Capital reserve	31	62,486	62,486
Retained earnings	15	776,887	610,542
		2,806,556	2,640,211
Non Current liabilities			
Long-term loans	32	62,484	258,805
		2,869,040	2,899,016

Approved for issue by the Board of Directors on 21 February 2019 and signed on its behalf:

W. David McConnell **Director**

Ann Dawn Young Sang **Director**

Supreme Ventures Limited

Company Statement of Financial Position

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares '000	Share Capital $'000	Capital Reserve $'000	Fair value Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2017	2,637,255	1,967,183	62,486	3,480	961,791	2,994,940
Profit for the year	-	-	-	-	1,521,202	1,521,202
Realised gain on available-for-sale investments	-	-	-	(3,480)	-	(3,480)
Total comprehensive income for 2017	-	-	-	(3,480)	1,521,202	1,517,722
Transactions with stockholders						
Distributions (note 37)	-	-	-	-	(1,872,451)	(1,872,451)
Balance at 31 December 2017	2,637,255	1,967,183	62,486	-	610,542	2,640,211
Profit for the year and total comprehensive income	-	-	-	-	2,302,521	2,302,521
Transactions with stockholders						
Distributions (note 37)	-	-	-	-	(2,136,176)	(2,136,176)
Balance at 31 December 2018	2,637,255	1,967,183	62,486	-	776,887	2,806,556

Supreme Ventures Limited
Company Statement of Cash Flows
Year ended 31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		2,302,521	1,521,202
Items not affecting cash:			
Depreciation	17	8,747	8,977
Amortisation of intangible assets	19	1,939	1,568
Dividend income	8	(2,342,788)	(1,517,000)
Gains recognised on available for sale investments		-	(3,742)
Gain on disposal of property and equipment	8	1,444	-
Net foreign exchange gain on cash and cash equivalents		(44)	419
Interest income	10	(16,571)	(45,386)
Interest expense	13	17,878	29,843
Taxation	14	7,170	(4,479)
Operating cash flow before movement in working capital		(19,704)	(8,598)
Change in non-cash working capital balances:			
Due from subsidiaries		282,481	(306,683)
Trade and other receivables		(26,498)	40,942
Income tax recoverable		(2,051)	(1,731)
Due to subsidiaries		(117)	(147,197)
Trade and other payables		(190,975)	(41,716)
Income tax paid		43,136	(464,983)
Interest paid		(15,629)	(27,548)
Cash provided by/(used) in operating activities		27,507	(492,531)
Cash Flows from Investing Activities			
Acquisition of property and equipment		(55,343)	(814)
Acquisition of intangible assets		(690)	(1,428)
Proceeds on disposal of property and equipment		-	7,222
Long-term receivables		(344,621)	523,336
Short-term investment		100,000	(100,000)
Dividends received		2,342,788	1,517,000
Interest received		17,659	42,414
Cash used in investing activities		2,087,300	1,987,730
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(2,136,176)	(1,872,451)
Loan proceeds		-	380,934
Cash used in financing activities		(2,136,176)	(1,491,517)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(48,876)	3,682
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies		44	(419)
Cash and cash equivalents at the beginning of the year		107,869	104,606
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		59,037	107,869

Supreme Ventures Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and activity

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, R. Danny Williams Building, 28-48 Barbados Avenue, Kingston 5, Jamaica, W.I.

The Company and its subsidiaries are collectively referred to as "the Group".

The main activities of the Group comprises betting, gaming and lottery operations.

The subsidiaries and their principal activities are as follows:

Name of company	Principal activity	Country of Incorporation	Percentage Ownership 2018 %	Percentage Ownership 2017 %
Prime Sports (Jamaica) Limited and its wholly-owned subsidiaries:	Betting, gaming and lottery operations licensed by the Betting, Gaming and Lotteries Commission (BGLC)	Jamaica	100	100
Bingo Investments Limited	Not trading	Jamaica	100	100
Chillout Ventures Limited	Not trading	Jamaica	100	100
Supreme Ventures Financial Services Limited	Not trading	Jamaica	100	100
Supreme Ventures Lotteries Limited	Not trading	Jamaica	100	100
Transtel Jamaica Limited	Not trading	Jamaica	100	100
Big 'A' Track 2003 Limited	Pin code sales	Jamaica	100	100
Supreme Ventures Racing and Entertainment Limited	Betting and horse-racing operations licensed by BGLC and Jamaica Racing Commission (JRC)	Jamaica	100	100
Jamaica Lottery Company Holdings Limited	Not trading	Jamaica	100	100
Supreme Ventures Holding Limited	Not trading	Jamaica	100	100
Socrates Betting Company Limited	Not trading	Jamaica	100	100
Supreme Ventures Guyana Holdings Inc	Holding Company	Guyana	100	-
Supreme Ventures Enterprise Inc	Betting & Gaming	Guyana	100	-

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements, herein after referred to as the financial statements, are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of IFRS Interpretations Committee (IFRIC IC) applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain items of investment property, and certain available-for-sale investments in the prior year.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Although these estimates are based on managements' best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Standards, interpretations and amendments to published standards effective in current year

Certain new standards, amendments and interpretations to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new standards, interpretations and amendments and has effected the following, which are immediately relevant to its operations:

- ***IFRS 9, 'Financial Instruments'*** (effective for annual periods beginning on or after 1 January 2018) specifies how an entity should classify and measure financial instruments, including some hybrid contracts. It requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset; initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs; and subsequently measured at amortised cost or fair value. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the four categories of financial assets in IAS 39, each of which had its own classification criteria. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. Management has assessed the application of the credit loss model on trade receivables, lease receivables and inter-company balances under IFRS 9. The impact on these financial statements were not material. Management has utilised the modified retrospective transition approach. The Group applied IFRS 9 on 1 January 2018 and has elected not to restate comparative information in accordance with the transitional provisions. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy. Additional disclosures in accordance with the standard have been included in the financial statements in Note 41.

- ***IFRS 15, 'Revenue from Contracts with Customers'***, (effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. Management has assessed the impact on the financial statements and noted that the impact is not material. Management has utilised the modified retrospective transition approach. The Group applied IFRS 15 on 1 January 2018 and has elected not to restate comparative information in accordance with the transitional provisions. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy. Additional disclosures in accordance with the standard have been included in the financial statements in Note 41.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards effective in current year (continued)

- ***Amendment to IFRS 15***, 'Revenue from contracts with customers' (effective for accounting periods beginning on or after 1 January 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). The IASB has also included additional practical expedients related to transition to the new revenue standard.

- ***Amendment to IAS 40, Investment property' relating to transfers of investment property*** (effective for annual periods beginning on or after 1 January 2018) clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer. Additional disclosures are required if an entity adopts the requirements prospectively. There were no transfers of investment property during the year as such there was no material impact on the financial statements.

- ***IFRIC 22***,' Foreign currency transactions and advance consideration', (effective for annual periods beginning on or after 1 January 2018). The amendment clarifies how to account for deferred tax assets related to debt instruments measured at fair value upon the recognition of deferred tax assets for unrealised losses. There was no material impact on the financial statements upon adoption of this standard.

Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Group

- ***IFRS 16, 'Leases'*** (effective for annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied). The International Accounting Standards Board (IASB) published IFRS 16, 'Leases', which replaces the current guidance in IAS 17. This will require changes in accounting by lessees in particular. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has commenced assessment and has identified that a right of use asset and lease obligation would have to be recorded on the consolidated financial statements and the associated depreciation and interest expense within the consolidated statement of comprehensive income.

- **IFRIC 23, 'Uncertainty over income tax treatments'** (effective for annual period beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. The adoption of this standard is not expected to have a significant impact on the group.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

- **Amendment to IFRS 9, Financial instruments', on prepayment features with negative compensation** (effective for annual period beginning on or after 1 January 2019). This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. The adoption of this standard is not expected to have a significant impact on the group.

- **Annual improvements 2015–2017** (effective for annual period beginning on or after 1 January 2019). These amendments include minor changes to:
  - IFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - IFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
  - IAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The adoption of these standards are not expected to have a significant impact on the group.

There are no other new or amended standards and interpretations that are published but not yet effective that would be expected to have an impact on the accounting policies or financial disclosures of the Group.

2. Summary of Significant Accounting Policies (Continued)

(b) Consolidation

(i) *Subsidiaries*

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations involving third parties by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of previously held interest, plus fair value of consideration transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss, in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) *Disposal of subsidiaries*

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2. Summary of Significant Accounting Policies (Continued)

(c) Foreign currency translation

(i) *Functional and presentation currency*
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates ('the functional currency'). The consolidated financial statements are presented in Jamaican Dollars, which is the company's functional and presentation currency.

(ii) *Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. At the statement of financial position date, monetary assets and liabilities denominated in foreign currencies are translated using the weighted average closing exchange rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(iii) *Group companies*
The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated as follows:
a) Assets and liabilities for each balance sheet presented are translated at year end rates,
b) Items affecting the statement of comprehensive income are translated at average rates, and
c) The resultant gains or losses are recognised in other comprehensive income as translation gains or losses.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(d) Revenue recognition

Revenue is measured at the fair value consideration received or receivable for sale of goods and services in the ordinary course of the group's activities and comprise the following elements:

(i) *Lottery*
Lottery games comprise non fixed odd wagering and fixed odd wagering games for both of which income is recognized on a draw by draw basis, at the point the draw takes place. Income for non-fixed odd games is recorded at the gross ticket sales amount and for fixed odd games at the gross ticket sales amount net of prize payouts. Fixed odd wagering games relates to games where the customer is placing a bet with the Group (at a particular win rate) and is therefore entering into a derivative. No particular good or service is provided to a customer as the customer is taking a position against the Group.

Where players wager in advance, this income is deferred and only recognised in the Statement of Comprehensive Income once the draw has taken place. Lottery tickets are sold to players by contracted retail agents and company owned locations.

Unclaimed prizes- as outlined in clause number 28 of the lottery licence held by Prime Sports (Jamaica) limited, winning tickets must be redeemed within 90 days of the relevant draw unless otherwise notified. Any valid winning ticket presented after expiration of this period maybe paid provided payment is made within 180 days of the draw, after which prizes may be paid only with the written approval of the BGLC. Fifty percent (50%) of unclaimed prizes (net of taxes where applicable) is paid over to the Consolidated Fund (previously paid to the Chase Fund) and the remaining fifty percent (50%) paid to the BGLC.

(ii) *Video Lottery Terminal (VLT) gaming*
VLT games are offered at gaming lounges and food and beverage operations. Income is recognised as the net win from gaming activities, which is the difference between gaming wins and losses before deducting costs and expenses at the end of each gaming day.

(iii) *Sports betting*
Sports betting relates to wagers on local and international sporting events offered through the agents' network. Revenue represents the net winnings from bets taken on the local and international sporting events at all branches and agents, net of refunds. Revenue is recognised when the events have taken place.

2. Summary of Significant Accounting Policies (Continued)

(d) Revenue (continued)

(iv) *Pin codes*

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

(v) *Hospitality and related services*

Hospitality and related services include food and beverage sales and are recognised when the goods/services are provided.

(vi) *Management fees*

The Group provides management services to its subsidiaries. Fees are recognised when services are provided.

(vii) *Interest income*

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

(viii) *Rental income*

Rental income from investment properties is recognised as revenue on a straight-line basis over the term of the lease.

(ix) *Dividend income*

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

(e) Property, plant and equipment

Land and buildings comprise mainly offices. Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

The assets residual values and useful lives are revisited and adjusted if appropriate, at the end of each reporting period.

Land, art and paintings are not depreciated as they are deemed to have indefinite lives. For all other property, plant and equipment, depreciation is calculated at annual rates on the straight-line basis to write-off the cost of the assets to their residual values over their estimated annual useful lives as follows:

Freehold buildings	20-40 years
Video lottery terminal equipment	5-10 years
Furniture, fixtures machinery & equipment	3-10 years
Computer equipment	3-5 years
Motor vehicles	5-8 years
Signs & posters	5-10 years
Leasehold improvements	Shorter of lease term and useful life

2. Summary of Significant Accounting Policies (Continued)

(e) Property, plant and equipment (continued)

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount and are included in operating profit.

Repairs and maintenance expenditure is charged to profit or loss during the financial period in which it is incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group.

(f) Investment properties

Investment properties, comprising freehold lands and buildings, are held for long-term rental yields, are not occupied by the Group. They are carried at fair value. Changes in fair values are presented in profit or loss as part of other income.

(g) Intangible assets

(i) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) *Trademarks and licences*

Trademarks, licences and permits with finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate, with the effect of any changes in estimate being accounted for on a prospective basis. Amortisation is charged on the straight-line basis over the estimated useful lives. Useful lives are currently estimated as follows:

Licenses and permits	5 years
Trademarks	10 years

Trademarks, licences and permits with indefinite useful lives are measured at cost less accumulated impairment losses. The useful lives of such assets are reviewed at each reporting date to determine whether events and circumstances continue to support an indefinite useful life assessment for those assets. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate.

2. Summary of Significant Accounting Policies (Continued)

(g) Intangible assets (continued)

(iii) Other intangible assets

Other intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on the straight-line basis over its estimated useful life. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate, with the effect of any changes in the estimate being accounted for on a prospective basis.

The amortisation rates are as follows:

Computer software	3 years
Software usage rights	10 years

(iv) Derecognition of goodwill and intangible assets

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

(h) Assets held for sale

Non-current assets, comprising assets and liabilities, that are expected to be recovered primarily through sale, rather than continuing use, are classified as held for sale. Assets held for sale are measured at the lower of their carrying value and fair values less cost to sell.

Impairment losses on initial reclassification as held for sale and subsequent gains and losses on re-measurement are recognised in profit or loss. Once classified as held for sale, property and equipment are no longer depreciated.

(i) Impairment of non-financial assets

Assets that have an indefinite useful life not subject to amortisation are tested annually for impairment or more frequently if assets or changes in circumstances indicate a potential impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2. Summary of Significant Accounting Policies (Continued)

(j) Financial instruments

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

(i) Classification of financial instruments

Under IAS 39, the Group classifies financial assets into the following category - *loans and receivables*. Management determines the appropriate classification of investments at the time of purchase.

The Group classifies financial liabilities into the other financial liabilities category.

From 1 January 2018, the Group classifies its financial assets as those to be measured at amortised cost.

The available for sale (AFS) category under IAS 39 is no longer applicable.

The classification depends on the business model used for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments only when its business model for managing those assets changes.

Application of the Simplified Approach

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using a lifetime ECL. As a practical expedient, a provision matrix is utilised in determining the lifetime ECLs for trade receivables.

The lifetime ECLs are determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward looking information.

(ii) Recognition and derecognition

The Group recognises a financial instrument when it becomes a party to the contractual terms of the instrument.

The Group initially recognises loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains all or substantially all the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations expire or are discharged or cancelled.

2. Summary of Significant Accounting Policies (Continued)

(j) Financial instruments (continued)

(iii) Measurement

Cash and cash equivalents: Cash comprises cash in hand and demand and call deposits. Cash equivalents are short-term, highly liquid financial assets that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. These include certificates of deposit where the maturities do not exceed three months from the date of acquisition. Cash and cash equivalents are measured at amortised cost.

Loans and receivables: Securities acquired, and loans granted with fixed or determinable payments, and which are not quoted in an active market, are classified as loans and receivables.

Securities purchased under resale agreements ('resale agreements'): Resale agreements are short-term transactions in which the Group makes funds available to other parties and in turn receive securities which they agree to resell on a specified date at a specified price. Resale agreements are accounted for as short-term collateralised lending and carried at amortised cost. The difference between the purchase and resale consideration is recognised on the accrual basis over the period of the contract using the effective interest method and is included in interest income. On initial recognition they are measured at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method, less impairment losses.

Trade and other receivables and *Due from subsidiaries* are measured at amortised cost less impairment losses.

Available-for-sale: On initial recognition, available-for-sale investments are measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value, with unrealised gains and losses arising from changes in fair value, except for impairment losses, and, in the case of equity securities, foreign exchange gains and losses, being recognised in other comprehensive income and accumulated in fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

From 1 January 2018, The Group classifies its debt instruments into three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in the income statement using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the income statement.

Other financial liabilities: Long-term liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, long-term liabilities are measured at amortised cost using effective interest method.

Prize liabilities, *Trade and other payables*, and *Due to subsidiaries* are measured at amortised cost.

Lottery and sports betting prizes

All prizes are recorded at the actual amount except for the annuity-funded prize, which is paid out on a deferred basis. The actual prize expense for this type of prize is based on the present value of an annuity using the interest yield on the investment acquired to fund the annuity.

2. Summary of Significant Accounting Policies (Continued)

Financial liabilities
The Group's financial liabilities are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

(k) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned to inventories by the method most appropriate to the particular class of inventory, being valued on a first-in, first-out basis (FIFO). Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(l) Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables based on a review of all outstanding amounts at the year-end. Until December 31, 2017, a provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of the receivables. Since January 1, 2018, the expected credit loss model is utilized to determine the provision for trade receivables in accordance with IFRS 9. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowings. Bad debts are written-off during the year in which they are identified.

(m) Cash and cash equivalents

Cash and cash equivalents include cash on hand and short term deposits with original maturities of three months or less, net of bank overdrafts. In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and at bank and short term bank deposits. Bank overdrafts are shown in current liabilities on the statement of financial position.

(n) Income taxes

Taxation expense in the statement of comprehensive income comprises current and deferred tax charges.

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items 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 at tax rates that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted or substantively enacted tax rates are used in the determination of deferred income tax.

2. Summary of Significant Accounting Policies (Continued)

(n) Income taxes (continued)

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Current and deferred tax assets and liabilities are offset when they arise from the same taxable entity, relate to the same tax authority and when the legal right of offset exists.

Deferred tax is charged or credited to profit or loss, except where it relates to items charged or credited to other comprehensive income, in which case, deferred tax is also dealt with in other comprehensive income.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(p) Share capital

Ordinary stock units are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new stock units or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(q) Borrowings

Borrowings are recognised initially at cost, being their issue proceeds, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(r) Employee benefit costs

(i) The Group is the sponsoring employer of a defined contribution pension scheme under the control of trustees and administered by a licensed organisation. Contributions are recognised as an expense by the employer as incurred.

(ii) Employee leave entitlements are recognised when they accrue to employees. A provision is made for the estimated liability for vacation leave as a result of services rendered by employees up to the reporting date.

2. Summary of Significant Accounting Policies (Continued)

(s) Leases

Leased assets

Leases of property and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases are classified as operating leases and are not recognised in the Group's Statements of Financial position.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(t) Finance costs

Finance costs includes interest payable on borrowings calculated using the effective interest method, interest on finance leases, material bank charges and foreign exchange gains and losses recognised in profit or loss.

(u) Dividend distribution

Dividend distribution is recognised as equity in the financial statements in which the dividends are approved by the shareholders of the Group.

2. Summary of Significant Accounting Policies (Continued)

(v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(w) Earnings per share

Earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(x) 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.

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

(i)	Lottery	-	Lottery games offered through the agents' network.
(ii)	Gaming and hospitality	-	Video Lottery Terminal (VLT) games offered at gaming lounges and food and beverage operations.
(iii)	Sports betting	-	Wagers on local and international sporting events offered through the agents' network.
(iv)	Horse racing	-	Local races and simulcast sales.
(v)	Pin codes	-	Sale of pin codes through the agents' network.
(vi)	Other	-	All other income.

3. Financial Risk Management

Financial risk factors

Financial risk management objectives

The Group has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk including interest rate risk, and currency risk. Information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk is detailed below.

The Group's activities expose it to a variety of financial risks 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.

A 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 financial instrument risk which includes credit, liquidity and market risks.

(a) Credit risk

The Group is exposed to credit risk, which is the risk that its customers or counterparties may default and could cause a financial loss for the Group by failure to discharge their contractual obligations. This arises principally from cash and cash equivalents, trade receivables, other investment and long-term receivables. Credit risk is an important risk for the Group's business and management therefore carefully monitors its exposure to credit risk.

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

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.

Credit review process

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

(i) Cash and cash equivalents

The Group maintains cash resources with reputable financial institutions. The credit risk is considered to be low.

(ii) Trade and long-term receivables

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.

Trade receivables are monitored and managed by the Finance Department in collaboration with the Field Area Management team, which has responsibility for liaising with the sales agents.

The ageing analysis of trade receivables is as follows:

	2018	2017
	$'000	$'000
Current	371,785	584,125
8 to 30 days	28,391	25,255
31 to 60 days	6,888	2,807
61 to 90 days	5,721	2,966
Over 90 days	391,268	398,905
	804,053	1,014,058

Supreme Ventures Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Trade receivables that are considered impaired

Certain trade receivables are considered impaired and have been fully provided for. The movement in the provision for these trade receivables was as follows:

	2018 $'000	2017 $'000
At start of year	408,245	390,781
Provision for credit losses	28,033	34,035
Unused amounts reversed	(19,054)	(16,571)
At end of year	417,224	408,245

Credit exposure for trade receivables

The credit exposure for trade receivables at their carrying amounts, as categorised by the customer sector, was as follows:

	2018 $'000	2017 $'000
Lottery agents	700,354	898,422
VLT Gaming Customers	23,754	27,332
Sports Betting Agents	33,022	36,128
Off-Track Betting Parlours	46,923	52,176
	804,053	1,014,058
Less: Provision for credit losses	(417,224)	(408,245)
	386,829	605,813

(i) Impairment

The Finance Department conducts monthly and quarterly assessments of the trade receivable balances to determine whether there is a requirement for any allowances for doubtful debts.

(b) 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.

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

(i) Management of liquidity risk

The Board of Directors approves the Group's liquidity and funding management policies and establishes risk limits.

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

Supreme Ventures Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

3. **Financial Risk Management (Continued)**

(b) **Liquidity risk (continued)**

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; and
- Maintenance of liquidity and funding contingency plans.

An analysis of the undiscounted cash flows of the Group's financial liabilities on the basis of their earliest possible contractual maturity is presented below. The analysis provided is by estimating timing of the amounts recognised in the statement of financial position. The Group does not expect that its customers will demand the payment of funds at the earliest date possible.

	The Group			
	Within 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
		2018		
Prize liabilities	559,403	-	-	559,403
Trade and other payables	1,824,694	-	-	1,824,694
Long term payables	89,596	71,598	10,080	171,274
Finance lease	21,904	271,555	863,038	1,156,497
	2,495,597	343,153	873,118	3,711,868
		2017		
Prize liabilities	400,780	-	-	400,780
Trade and other payables	1,615,665	-	-	1,615,665
Long term payables	128,821	358,371	14,767	501,959
Finance lease	-	152,897	879,160	1,032,057
	2,145,266	511,268	893,927	3,550,461

Supreme Ventures Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

	The Company			
	Within 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
		2018		
Trade and other payables	133,027	-	-	133,027
Due to related parties	2,686	-	-	2,686
Long term payables	88,810	64,398	-	153,208
	224,523	64,398	-	288,921
		2017		
Trade and other payables	77,495	-	-	77,495
Due to related parties	2,803	-	-	2,803
Long term payables	128,035	355,857	-	483,892
	208,334	355,857	-	564,191

(c) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

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 material change to the Group's exposure to market risks or the manner in which it manages and measures risk.

(i) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes 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 Jamaica dollar. The main currency giving rise to the exposure in the current year was the United States dollar.

Foreign currency risk management

The Group manages its foreign currency risk by ensuring that the net exposure in foreign currency denominated assets and liabilities is kept to an acceptable level by monitoring currency positions.

Supreme Ventures Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

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

	The Group	
	2018	**2017**
	USD	**USD**
	J$'000	**J$'000**
Assets		
Cash and cash equivalents	312,041	315,970
	312,041	315,970
Liabilities		
Trade and other payables	(21,639)	(46,729)
Long-term payables	-	(7,597)
	(21,639)	(54,326)
Net exposure	290,402	261,644

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

	The Company	
	2018	**2017**
	USD	**USD**
	J$'000	**J$'000**
Assets		
Cash and cash equivalents	1,813	15,640
Liability		
Trade and other payables	(3,116)	(17,699)
Net exposure	(1,303)	(2,058)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

The Group's sensitivity to a 2% revaluation or 4% devaluation (2017: 2% revaluation or 4% devaluation) of the Jamaica dollar against the USD is demonstrated below and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign-currency-denominated monetary items and adjusts the translation at period end for a 2% increase or 4% decrease (2017: 2% increase or 4% decrease) in the foreign exchange rates.

The increase or decrease in the relative value of the Jamaica dollar on the foreign currency exposure would have an effect on profit/loss as reflected below:

The Group			
2018		2017	
Devaluation	**Revaluation**	**Devaluation**	**Revaluation**
4%	2%	4%	2%
$'000	**$'000**	**$'000**	**$'000**
11,616	5,808	10,466	5,233

The Company			
2018		2017	
Devaluation	**Revaluation**	**Devaluation**	**Revaluation**
4%	2%	4%	2%
$'000	**$'000**	**$'000**	**$'000**
(52)	(26)	(82)	(41)

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in interest rates. 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 re-pricing that may be undertaken. This is monitored on a periodic basis.

Supreme Ventures Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Management of interest rate risk

Interest rate risk exposure is measured using sensitivity analysis.

	The Group		The Company	
	Carrying value		Carrying value	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Fixed rate instruments:				
Financial assets	1,606,195	-	36,632	-
Financial liabilities	601,139	1,515,951	143,288	636,790
Variable rate:				
Financial assets	109,409	696,646	1,082	171,117

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 the reporting period as these are substantially the interest sensitive instruments impacting the Group's financial results. For floating rate assets, the analysis assumes the amount of asset outstanding at the statement of financial position date was outstanding for the whole period. A 100 basis point increase or 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.

Supreme Ventures Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

If market interest rates had been 100 basis points higher or lower and all other variables were held constant, the effect on the Group's profit would have been as follows:

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Effect of increase of 100 basis points (2017:100 basis points on profit) on profit	1,094	17,897	11	1,711
Effect of decrease of 100 basis points (2017:100 basis points on profit) on profit	(1,094)	(17,897)	(11)	(1,711)

(d) Capital management

The capital structure of the Group consists of equity attributable to the stockholders of the parent company comprising issued capital, reserves and retained earnings.

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 and cash reserve 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 in accordance with licensing requirements.

There were no material changes to the Group's approach to capital management during the year. The Group is exposed to externally imposed capital requirements through debt covenants as outlined in the loan agreement with Sagicor. The financial covenants include: the Minimum debt service coverage ratio, Current ratio and maximum leverage ratio. The Group was in compliance with the financial covenants as at the year end.

3. Financial Risk Management (Continued)

(e) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the fair value of an instrument is measured by using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, valuation techniques are used that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e., the fair value of the consideration given or received. If it is determined that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – Quoted market price (unadjusted) in an active market for identical assets or liabilities.
- Level 2 – Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change has occurred.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads, and other premiums used in estimating discount rates.

Considerable judgment is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

3. Financial Risk Management (Continued)

(e) Fair value measurement(continued)

The following methods and assumptions have been used:

(i) The fair value of cash and cash equivalents, trade and other receivable, other investment and trade and other payable are assumed to approximate their carrying values due to their relatively short-term nature.

(ii) The carrying value of long-term receivables, contingent consideration payable, long-term payables and prize liabilities approximate their fair values as they are carried at amortised cost and the interest rates are reflective of current market rates for similar transactions.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The key sources of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on amounts recognised in the financial statements, or which have a risk of material adjustment in the next year, are as follows:

(i) Revaluation of investment properties

The Group uses professional valuators to determine the fair value of its investment properties. Valuations are determined through the application of a variety of different valuation methods which are all sensitive to the underlying assumptions chosen.

(ii) Impairment of goodwill and intangible assets

Impairment of goodwill and intangible assets is dependent upon management's internal assessment of future cash flows from the cash-generating units that gave rise to the goodwill and intangible assets. That internal assessment determines the amount recoverable from future use of those units. In addition, the estimate of the amount recoverable from future use of those units is sensitive to the discount rates used.

(iii) Allowance for impairment losses on receivables

In determining amounts recorded for impairment of accounts receivable in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from accounts receivable, for example, repayment default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired accounts receivable, as well as the timing of such cash flows. Expected credit losses (ECL) is applied to determine impairment of financial assets. When measuring ECL, the Group considers the maximum contractual period over which the Group is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options. The expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Supreme Ventures Limited
Notes to the Separate Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting

	2018							
	Lottery	Horseracing	Gaming & Hospitality	Sports Betting	Pin Codes	Others	Unallocated	Group
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-fixed odd wagering games	2,779,780	6,123,309	353,927	-	9,882,295	344,868	-	19,484,179
Income from fixed odd wagering games	13,203,974	-	-	247,877	-	-	-	13,451,850
Total gaming income	15,983,754	6,123,309	353,927	247,877	9,882,295	344,868	-	32,936,030
Result								
Segment result	2,909,227	(252,078)	21,208	(26,892)	89,113	27,147	40,763	2,808,488
Interest income								63,476
Net foreign exchange loss								(2,151)
Finance costs								(53,875)
Revaluation gain investment property								72,500
Profit before taxation								2,888,438
Taxation								(790,030)
Profit for the year								2,098,408
Other information								
Capital expenditure	57,676	228,571	17,453	313	-	18,231	100,808	423,052
Depreciation, amortisation and write-offs	98,092	124,181	44,690	30,909	3,016	-	42,497	343,385
Segment assets	2,611,139	959,378	243,953	16,724	1,212,060	37,584	1,534,559	6,615,397
Segment liabilities	1,402,833	890,247	62,120	21,095	813,287	7,678	133,027	3,330,285

Supreme Ventures Limited
Notes to the Separate Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting (Continued)

Restated 2017

	Lottery	Horseracing	Gaming & Hospitality	Sports Betting	Pin Codes	Others	Unallocated	Group
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-fixed odd wagering games	2,622,798	4,657,891	363,084	-	9,855,046	256,606	-	17,755,425
Income from fixed odd wagering games	11,751,010	-	-	174,392	-	-	-	11,925,402
Total gaming income	14,373,808	4,657,891	363,084	174,392	9,855,046	256,606	-	29,680,827
Result								
Segment result	2,485,661	(355,580)	19,064	(36,179)	137,598	-	(45,701)	2,204,863
Interest income								90,995
Impairment Loss on Intangible assets								(318,107)
Finance costs								(60,863)
Revaluation gain in investment								4,726
Other gains and losses								124,755
Profit before taxation								2,046,369
Taxation								(647,713)
Profit for the year								1,398,656
Other information								
Capital expenditure	95,325	673,644	9,353	128	-	-	54,971	833,588
Depreciation, amortisation and write-offs	50,354	67,060	66,494	19,293	-	-	211,417	505,607
Segment assets	2,513,280	828,891	205,440	80,184	1,034,506	-	1,512,859	6,175,160
Segment liabilities	1,279,923	894,603	28,372	22,058	754,545	-	74,435	3,053,936

Supreme Ventures Limited
Notes to the Separate Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

6. Revenue - Non-Fixed Odd Wagering Games, Horse Racing and Pin Codes

	The Group	
	2018	**Restated 2017**
	$'000	**$'000**
Lucky 5	268,174	240,723
Top Draw	682,553	634,021
Lotto	990,298	1,031,580
Super Lotto	838,755	716,474
Horseracing	6,123,309	4,657,891
VLT gaming	353,927	363,084
Pin codes	9,882,295	9,855,046
Other	344,868	256,606
	19,484,179	17,755,425

Revenue is recognised at a point in time.

Supreme Ventures Limited
Notes to the Separate Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

7. Income from Fixed Odd Wagering Games

	The Group 2018		
	Gross ticket sales $'000	Prize pay-outs $'000	Income $'000
Cash Pot	30,124,590	(21,500,529)	8,624,061
Money time	6,417,874	(4,324,091)	2,093,783
Pick 2	222,687	(134,238)	88,449
Pick 3	2,237,547	(1,393,783)	843,764
Pick 4	2,968,167	(1,562,940)	1,405,227
Dollaz	322,039	(173,350)	148,689
Sports betting	1,183,913	(936,035)	247,878
	43,476,817	(30,024,966)	13,451,851

	The Group 2017 Restated		
	Gross ticket sales $'000	Prize pay-outs $'000	Income $'000
Cash Pot	27,562,926	(19,588,935)	7,973,991
Money time	5,044,203	(3,453,035)	1,591,168
Pick 2	216,416	(127,097)	89,319
Pick 3	2,074,458	(1,244,546)	829,912
Pick 4	2,453,163	(1,332,605)	1,120,558
Dollaz	319,780	(173,718)	146,062
Sports betting	738,353	(563,961)	174,392
	38,409,299	(26,483,897)	11,925,402

8. Income

	The Company	
	2018	2017
	$'000	$'000
Gain on disposal of property, plant and equipment	1,444	-
Management fee income	524,164	484,926
Dividend income	2,342,788	1,517,000
Miscellaneous income	455	-
	2,868,851	2,001,926

9. Direct Costs

	The Group	
	2018	Restated 2017
	$'000	$'000
Lottery prizes for non fixed odds wagering games	1,337,412	1,239,497
Horseracing dividends	4,106,208	3,122,207
Pin codes	9,156,904	9,092,841
Lottery and gaming taxes	3,097,083	2,698,919
Agents' commissions	3,012,620	2,659,608
Service contractor fees	2,375,898	2,353,070
Good cause fees	1,651,303	1,476,555
Contributions to BGLC	836,569	746,841
Horseracing purse fees	709,939	565,794
Horseracing satellite services	67,500	54,434
Contributions to JRC	58,875	43,575
Others	33,672	20,873
	26,443,983	24,074,214

10. Other Income

	The Group		The Company	
	2018	2017 Restated	2018	2017
	$'000	$'000	$'000	$'000
Interest income	63,476	90,995	16,571	49,128
Rental income	26,116	21,275	-	-
Gain on disposal of property, plant and equipment	58,522	156	-	-
Miscellaneous income	75,931	125,233	-	-
	224,045	237,659	16,571	49,128

Supreme Ventures Limited
Notes to the Separate Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

11. Expenses by Nature

	The Group		The Company	
		Restated		
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Staff costs (Note 12)	1,320,243	1,058,331	171,061	125,292
Rental and utilities	357,230	339,141	2,064	3,427
Auditors' remuneration	28,700	35,840	9,378	12,700
Depreciation and amortisation (Note 17 & 19)	293,881	293,941	10,686	10,545
Professional fees	313,600	227,851	170,520	144,252
Marketing and business development	218,694	188,703	1,424	13,168
Draw expenses	240,402	205,980	-	-
Subscription and donations	104,281	142,933	6,583	45,341
GCT irrecoverable	176,896	180,482	27,975	24,651
Security	107,216	110,600	9,858	11,716
Licences and other fees	97,547	77,396	5,954	2,978
Local and foreign travel	59,449	37,133	27,945	12,364
Repairs and maintenance	188,879	173,960	304	52
Equipment and motor vehicle expenses	49,509	82,642	1,985	424
Bad debts	4,979	30,996	-	-
Directors' fees	102,935	52,846	80,948	57,477
Bank charges	48,071	47,027	1,225	1,442
Internal audit remuneration	20,798	13,539	19,637	13,200
Administrative expenses	74,538	62,948	5,528	6,096
Insurance	26,480	23,159	1,621	1,366
Others	9,800	38,211	231	10,095
	3,844,128	3,423,659	554,927	496,586

Supreme Ventures Limited
Notes to the Separate Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

12. Staff Costs

Staff costs comprise:

	The Group		The Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Salaries and wages	943,890	717,687	102,526	65,268
Payroll taxes – employer's portion	106,669	85,722	15,502	5,773
Pension costs – defined contribution	25,776	20,055	582	504
Other	243,908	234,867	52,451	53,747
	1,320,243	1,058,331	171,061	125,292

13. Finance Costs

	The Group		The Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Interest on bank overdraft and long-term loans	21,183	35,726	17,878	36,381
Interest on obligations under finance lease	32,692	24,509	-	-
Net foreign exchange losses	2,151	628	2,926	1,364
	56,026	60,863	20,804	37,745

14. Taxation

Taxation is based on profit before tax and comprises:

	The Group		The Company	
	2018 $'000	Restated 2017 $'000	2018 $'000	2017 $'000
Current tax	827,380	696,448	4,802	(1,186)
Deferred tax (Note 22)	(37,350)	(48,735)	2,368	(3,293)
	790,030	647,713	7,170	(4,479)

Supreme Ventures Limited
Notes to the Separate Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

14. Taxation (Continued)

The tax on the profit before tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

	The Group		The Company	
	2018 $'000	Restated 2017 $'000	2018 $'000	2017 $'000
Profit before tax	2,888,438	2,046,369	2,309,691	1,516,723
Tax calculated at 25%	722,110	461,167	577,423	379,180
Expenses not deductible for tax purposes	17,866	153,952	8,860	13,340
Income not subject to tax	-	-	(585,697)	(379,250)
Tax in respect of prior years	(9,271)	(32,254)	3,687	(16,831)
Other charges and credits	59,325	64,848	2,897	(918)
Tax charge	790,030	647,713	7,170	(4,479)

(a) Tax losses of the Group amounting to $578 million (2017: $239 million) subject to agreement with the Commissioner General, Tax Administration Jamaica, are available for set-off against future taxable profits of the subsidiaries. Unutilised tax losses can be carried forward indefinitely and can be used to offset up to 50% of each year's taxable profits.

(b) A deferred tax asset of $77 million (2017: $67 million) in Supreme Ventures Racing & Entertainment Limited has not been recognised, as directors and management consider that the entity is in its start-up phase and the strategies initiated to utilise the deferred tax asset are still in progress.

15. Net Profit and Retained Earnings

The net profit and retained earnings attributable to the shareholder of the Group are reflected in the accounts of the Company and its subsidiaries as follows:

	2018 $'000	Restated 2017 $'000
Net profit		
The Company	2,302,521	1,521,202
Less Dividend Income from subsidiaries	(2,342,788)	(1,517,000)
Less Management fee income from subsidiaries	(524,164)	(484,926)
The Company	(564,431)	(480,724)
Subsidiaries	2,662,839	1,879,380
	2,098,408	1,398,656

	2018 $'000	2017 $'000
Retained earnings		
The Company	776,887	610,542
Subsidiaries	448,602	682,714
	1,225,489	1,293,256

16. Earnings per Stock Unit

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

	2018 $'000	Restated 2017 $'000
Profit for the year attributable to ordinary shareholders	2,098,408	1,398,656
Number of shares	2,637,255	2,637,255
Total earnings per share attributable to ordinary share holders	79.57 cents	53.03 cents

Supreme Ventures Limited
Notes to the Separate Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

17. Property and Equipment

	Freehold Land $'000	Freehold Buildings $'000	Leased Property $'000	Leasehold Improvements $'000	Video Lottery Terminal Equipment $'000	Furniture, Fixtures, Machinery & Equipment $'000	Computer Equipment $'000	Motor Vehicles $'000	Arts & Paintings $'000	Signs & Posters $'000	Capital Work-in-Progress $'000	Total $'000
Cost												
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
Business acquisition (note 39)	-	-	417,911	-	-	165,129	684	4,045	-	67	18,199	606,035
Additions	-	-	-	51,129	7,673	105,920	8,316	16,380	180	709	8,256	198,563
Transfer to assets held for sale	-	(120,348)	-	(3,126)	-	(149)	-	-	-	-	-	(123,623)
Transfers	-	-	-	-	13,305	-	-	-	-	-	(13,305)	-
Disposals/Write-offs	-	-	-	-	(33,759)	(187,048)	(8,741)	(12,034)	-	-	-	(241,582)
December 31,2017	33,700	84,272	417,911	402,273	475,355	1,131,908	106,421	136,209	2,634	33,458	26,455	2,850,596
Additions	-	-	-	23,199	16,381	150,948	32,505	41,661	216	2,767	142,647	410,324
Transfers	-	-	-	8,787	-	59,632	85	-	-	-	(68,504)	-
Disposals/Write-offs	(20,700)	(27,447)	-	(32,078)	(113,166)	(435,796)	(31,345)	(67,866)	-	(25,700)	(11,978)	(766,076)
December 31, 2018	13,000	56,825	417,911	402,181	378,570	906,692	107,666	110,004	2,850	10,525	88,620	2,494,844
Accumulated depreciation												
December 31,2016	-	37,847	-	246,290	395,066	804,384	73,012	95,501	-	26,711	-	1,678,811
Depreciation	-	4,335	11,609	63,461	37,924	116,446	15,085	16,696	-	855	-	266,411
Transfer to assets held for sale	-	(29,836)	-	(1,715)	-	(62)	-	-	-	-	-	(31,613)
Disposals/Write-offs	-	-	-	-	(33,759)	(174,240)	(7,694)	(11,799)	-	-	-	(227,492)
December 31, 2017	-	12,346	11,609	308,036	399,231	746,528	80,403	100,398	-	27,566	-	1,686,117
Depreciation	-	1,621	13,930	38,833	24,111	148,122	17,851	14,867	-	1,325	-	260,660
Disposals/write-offs	-	(3,674)	-	(32,079)	(113,166)	(420,181)	(30,087)	(66,208)	-	(25,700)	-	(691,095)
December 31,2018	-	10,293	25,539	314,790	310,176	474,469	68,167	49,057		3,191	-	1,255,682
Netbook values												
December 31, 2018	13,000	46,532	392,372	87,391	68,394	432,223	39,499	60,947	2,850	7,334	88,620	1,239,162
December 31, 2017	33,700	71,926	406,302	94,237	76,124	385,380	26,018	35,811	2,634	5,892	26,455	1,164,479

(i) Property at Caymanas Park is leased under an arrangement which is not in the form of a finance lease, but which has been accounted as a finance lease based on the lease term being for the major part of the remaining useful of the asset.
(ii) Property previously classified as freehold building along with leasehold improvements and selected furniture and fixtures, was transferred to assets held for sale.

Supreme Ventures Limited
Notes to the Separate Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

17. Property and Equipment (Continued)

The Company

	Freehold Land $'000	Freehold Buildings $'000	Leasehold Improvements $'000	Furniture, Fixtures, Machinery & Equipment $'000	Computer Equipment $'000	Motor Vehicles $'000	Art & Paintings $'000	Signs & Posters $'000	Capital Work in Progress $'000	Total $'000
Cost										
December 31, 2016	13,000	56,824	22,417	268,997	20,630	27,671	2,363	24,642	-	436,544
Additions	-	-	-	120	514	-	180	-	-	814
December 31,2017	13,000	56,824	22,417	269,117	21,144	27,671	2,543	24,642	-	437,358
Additions	-	-	2,317	849	-	-	-	-	52,177	55,343
Disposal/Write-offs	-	-	(22,417)	(245,435)	(20,630)	(5,299)	-	(24,642)	-	(318,423)
December 31, 2018	13,000	56,824	2,317	24,531	514	22,372	2,543	-	52,177	174,278
Accumulated depreciation										
December 31,2016	-	7,506	22,416	248,414	20,188	11,022	-	24,642	-	334,188
Depreciation	-	1,420	-	3,391	466	3,700	-	-	-	8,977
December 31, 2017	-	8,926	22,416	251,805	20,654	14,722	-	24,642	-	343,165
Depreciation	-	1,420	-	3,421	206	3,700	-		-	8,747
Disposal/Write-offs	-	-	(22,416)	(244,022)	(20,600)	(5,299)	-	(24,642)	-	(316,979)
December 31, 2018	-	10,346	-	11,204	260	13,123	-	-	-	34,933
Net book values	-	-	-	-	-	-	-	-		-
December 31, 2018	13,000	46,478	2,317	13,327	254	9,249	2,543	-	52,177	139,345
December 31, 2017	13,000	47,898	1	17,312	490	12,949	2,543	-	-	94,193

Supreme Ventures Limited
Notes to the Separate Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

18. Investment Properties

Non-current assets at fair value

	2018 $'000	Restated 2017 $'000
Opening balance at 1 January	820,000	815,275
Net Gain from fair value adjustments	72,500	4,725
Closing balance at 31 December	892,500	820,000

Investment properties include the Group's interest in freehold land held by Jonepar Development Limited, a related party, amounting to $ 72.5 million (2017: $60 million). The properties were valued by independent valuators, Allison Pitter & Company as at December 31, 2018, who estimated a value of $ 892.5 million (2017: $820 million). This is categorised as level 3 in the fair value hierarchy.

The Group has leased its investment property to Exodus Gaming and Entertainment Limited (Exodus) for an initial period of fifteen years commencing on August 11, 2015 with an option to renew the lease for a further fifteen years.

Exodus also has the option to purchase the property at any time after the fifth anniversary of the commencement date at a price to be agreed between Exodus and PSJL within sixty days of the option notice being served. If no agreement is reached within the stipulated time, then the price will be the higher of US$4,500,000 or the market value on the date of the option notice, as determined by independent valuators.

Rental income of $ 24 million (2017: $19.4 million) was earned from investment properties for the current reporting period. Direct operating expenses incurred during the year in relation to investment properties amounted to $ 3.36 million (2017: $5.6 million).

The following table analyses the investment properties carried at fair value, by valuation method.

Fair value at December 2018 $'000	Fair value at December 2017 $'000	Valuation Technique (s)	Unobservable inputs	Range of unobservable inputs (Probability-weighted average)	Relationship of unobservable inputs to fair value
892,500	820,000	The combination of two methods to value a certain piece of investment properties namely: the market comparison approach and the investment approach. In establishing the market value for the other investment property, the appraiser combined the market comparison approach with a 'residual' approach	The net rents are further reduced by a provision for letting delays and voids throughout the life of the investment. A capitalization rate in the order 7% to 9 % is used. This is based on yields extracted from past sales for real property in the subject use class. Discount rates as per investors' expectations in the market currently, are assessed in the range of 5.5% to 7.0% for similar USD yielding real estate investments.	• 3 - 5% • 7%-9% • 5.5%-7.0%	The estimated fair value would increase/(decrease) if: Expected yield, discount, inflation and foreign exchange rates used changes. Any variations in actual development costs including in developers profit percentage.

Supreme Ventures Limited
Notes to the Separate Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

19. Goodwill and Intangible Assets

	The Group					The Company			
	Computer Software	Trademarks & Licences	Software Usage Rights	Goodwill	Total	Computer Software	Trademarks	Goodwill	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost									
December 31, 2016	86,781	446,212	80,558	189,953	803,504	13,649	-	189,953	203,602
Business acquisition (note 39)	1,019	-	-	-	1,019	-	-	-	-
Additions	18,132	501	-	-	18,633	1,307	121	-	1,428
December 31,2017	105,932	446,713	80,558	189,953	823,156	14,956	121	189,953	205,030
Additions	8,883	3,845	-	-	12,728	670	20	-	690
Adjustments	(9,370)	-	-	-	(9,370)	(9,370)	-	-	(9,370)
December 31,2018	105,445	450,558	80,558	189,953	826,514	6,256	141	189,953	196,350
Accumulated Amortisation									
December 31, 2016	73,676	35,787	48,336	-	157,799	10,223	-	-	10,223
Amortisation	7,893	13,746	8,056	-	29,695	1,568	-	-	1,568
Adjustments	-	318,107	-	-	318,107	-	-	-	-
December 31,2017	81,569	367,640	56,392	-	505,601	11,791	-	-	11,791
Amortisation	11,396	13,829	8,056	-	33,281	1,916	23	-	1,939
Adjustments	(9,370)	-	-	-	(9,370)	(9,370)	-	-	(9,370)
December 31,2018	83,595	381,469	64,448	-	529,512	4,337	23	-	4,360
Carrying values									
December 31, 2018	21,850	69,089	16,110	189,953	297,002	1,919	118	189,953	191,990
December 31, 2017	24,363	79,073	24,166	189,953	317,555	3,165	121	189,953	193,239

19. Goodwill and Intangible Assets (Continued)

(a) Licences

Licences include Video Lottery Terminal (VLT) licences for certain gaming lounge operations which were previously considered to have an indefinite useful life and were assessed for impairment annually. Due to a shift in the strategic approach to managing the VLT lounges and changes in the regulatory environment, management has appropriately adjusted its identification of the cash generating unit to each VLT lounge and not the VLT lounge operations as a whole. On this basis, an impairment loss of nil (2017 - $318,107,000) has been recognised on all inactive licences for VLT lounges not currently in operation. Management has determined that the remaining licence, at December 31, 2016, has an estimated useful life of 5 years based on the maximum tenure stated in the Betting, Gaming and Lotteries Act. The impairment test was carried out by comparing the recoverable amount, as determined based on value in use calculations, with the carrying value of the assets and licences assigned to these operations. Revenue growth was projected for the next seven (7) years and the recoverable amount was determined to be higher than its carrying amount and no impairment loss was recognised. The seven (7) year period was used because the VLT operations are in an investment phase and the next three (3) years are projected to yield volatile results.

The key assumptions used in the estimation of value in use were as follows:

	The Group	
	2018	**2018**
Pre-tax Discount rate	18.7%	22.8%
Terminal value growth rate	4.0%	4.0%
Budgeted EBITDA growth rate in terminal year	4.0%	5.0%

(b) Software usage rights

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

(c) The amortisation of computer software, trademarks and licences and software usage rights is included in operating expenses (note 11).

(d) Goodwill

	The Group and the Company	
	2018	**2017**
	$'000	**$'000**
Goodwill	189,953	189,953

The goodwill impairment test is carried out by comparing the recoverable amount of the Group's cash-generating unit (CGU) to which goodwill has been allocated, to the carrying amount of that CGU. The only CGU recognising goodwill for the Group is the Lottery segment.

Management has determined that goodwill at December 31, 2018 is not impaired based on an assessment of the recoverable amount of the CGU. The recoverable amount of the CGU was determined based on value-in-use calculations. Revenue growth was projected for the next seven (7) years and the recoverable amount was determined to be higher than its carrying amount and no impairment loss was recognised. A five (5) year projection would not have affected management's assessment.

The key assumptions used in the estimation of value-in-use were as follows:

	The Group and the Company	
	2018	**2017**
Pre-tax discount rate	22.2%	20.8%
Terminal value growth rate	3.0%	2.0%
Budgeted EBITDA growth rate in terminal year	3.0%	2.5%

Supreme Ventures Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

20. Long-Term Receivables

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
(a) Island Holdings Limited	30,274	30,899	-	-
Supreme Ventures Racing & Entertainment	-	-	344,621	-
	-	30,899	344,621	-
Less: Current portion	(1,117)	(1,117)	-	-
	29,157	29,782	344,621	-

(a) Island Holdings Limited (IHL)

On April 27, 2015, IHL purchased the shares of Exodus Gaming and Entertainment Limited (Exodus), which was incorporated by PSJL on February 20, 2015, for US$300,000. Payment of the sale proceeds commenced on February 1, 2016, and is to be paid in 121 instalments of US$750 per month for the first five years and US$1,500 for the next five years with a final lump sum payment of US$165,000. No interest is charged on the outstanding balance, but overdue payments attract interest at twelve (12) percent per annum from the due date of payment until the past due amount is settled.

As the receivable is interest-free it has been re-measured in accordance with IAS 39, with interest being imputed based on an appropriate market rate. The imputed interest is being amortised over the repayment period and the amount shown is net of the unamortised discount of $3.7 million (2017: $4.3 million) at the reporting date using the effective interest method.

The balance outstanding is secured by a charge on the shares in Exodus. The sale agreement also requires an option to purchase in which IHL or its nominee was granted an option to purchase at an option price of US$1.00, PSJL's interest in Jonepar Development Limited and a licence agreement permitting IHL or its nominee to use lands owned by Jonepar for parking purposes (note 18).

Supreme Ventures Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

21. Other Investments

This represents cash invested by the Group to fund prize liabilities associated with the PayDay game. The Group has contracted with a licensed security dealer to act as the investment manager and paying agent to fulfil the prize liability stream consequent on PayDay wins. At the reporting date, the sums were invested in a resale agreement, the fair value of underlying securities of which was $18,879,100 (2017: $19,794,600).

22. Deferred Tax Asset

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets	203,530	166,180	3,110	5,478

Deferred taxation is attributable to the following:

(a) Group

	2018	**2017**
	$'000	**$'000**
Property and equipment	48,856	70,294
Investment properties	13,551	16,893
Intangible assets	(2,054)	(3,168)
Trade and other receivables	(2,430)	(2,238)
Trade and other payables	17,002	18,166
Finance lease	-	-
Tax losses	144,391	63,438
Other	(15,786)	2,795
Net asset	203,530	166,180

(i) Net deferred tax is recognised in the Group Statement of Financial Position, as follows:

	2018	**2017**
	$'000	**$'000**
Deferred tax assets in Company	3,110	5,478
Deferred tax assets in subsidiaries	200,420	160,702
Deferred tax assets	203,530	166,180

Supreme Ventures Limited

Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

22. Deferred Tax Asset (Continued)

(ii) Movement in net temporary differences during the year are as follows:

	2018		
	Balance at January 1	Recognised in profit/loss	Balance at December 31
	$'000	$'000	$'000
Property and equipment	70,294	(21,438)	48,856
Investment properties	16,893	(3,342)	13,551
Intangible assets	(3,168)	1,114	(2,054)
Trade and other receivables	(2,238)	(192)	(2,430)
Trade and other payables	18,166	(1,164)	17,002
Tax losses	63,438	80,953	144,391
Other	2,795	(18,581)	(15,786)
Total	166,180	37,350	203,530

	2017		
	Balance at January 1	Recognised in profit/loss	Balance at December 31
	$'000	$'000	$'000
Property and equipment	37,158	33,136	70,294
Investment properties	16,281	612	16,893
Intangible assets	(7,751)	4,583	(3,168)
Trade and other receivables	134	(2,372)	(2,238)
Trade and other payables	954	17,212	18,166
Tax losses	71,456	(8,018)	63,438
Other	(787)	3,582	2,795
Total	117,445	48,735	166,180

(b) Company

	2018	2017
	$'000	$'000
Property and equipment	4,806	3,728
Trade and other receivables	(1,825)	(2,089)
Trade and other payables	-	574
Unused tax losses	-	3,555
Other	129	(290)
Net asset	3,110	5,478

Supreme Ventures Limited

Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

22. Deferred Tax Asset (Continued)

Movements in net temporary differences during the year are as follows:

	Balance at January 1	2018 Recognised in profit/loss	Balance at December 31
	$'000	$'000	$'000
Property and equipment	3,728	1,078	4,806
Trade and other receivables	(2,089)	264	(1,825)
Trade and other payables	574	(574)	-
Unused tax losses	3,555	(3,555)	-
Other	(290)	419	129
Total	5,478	(2,368)	3,110

	Balance at January 1	2017 Recognised in profit/loss	Balance at December 31
	$'000	$'000	$'000
Property and equipment	3,198	530	3,728
Trade and other receivables	(1,151)	(938)	(2,089)
Trade and other payables	117	457	574
Unused tax losses	-	3,555	3,555
Other	21	(311)	(290)
	2,185	3,293	5,478

23. Inventories

	The Group	
	2018	2017
	$'000	$'000
Pin codes	112,798	179,697
Operational inventory	16,024	15,042
Food and beverage	2,267	2,722
	131,089	197,461

The cost of inventories recognised as direct expense during the year for the Group was $9.2 billion (2017: $9.1 billion).

Supreme Ventures Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

24. Trade and Other Receivables

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables (Note a)	804,053	1,014,058	-	-
Less: provision for credit losses	(417,224)	(408,245)	-	-
	386,829	605,813	-	-
Other receivables and prepayments	412,472	387,131	49,388	13,273
Accrued interest	6,032	8,168	3,482	7,575
	805,333	1,001,112	52,870	20,848

(a) Included in trade receivables are amounts of $ 733 million (2017: $935 million) representing amounts receivable from agents that support lottery and sports betting sales.

25. Assets Held for Sale

In October 2017, the Group committed to sell a property along with leasehold improvements and selected furniture and fixtures. The details of the assets transferred were as follows:

	2018	**2017**
	$'000	**$'000**
Freehold buildings	-	90,512
Leasehold improvements	-	1,411
Furniture and fixtures	-	87
	-	92,010

26. Short-term Investment

As a condition of the loan granted (Note 32), the company was required to maintain a minimum cash balance of nil (2017 -$100 million). This was to be held in a deposit account with Sagicor Bank Jamaica Limited, at a minimum deposit rate of 2% per annum. During 2018, the Group negotiated with Sagicor Bank Jamaica to set off the $100 million against the outstanding loan and was no longer required to hold any deposit securing the remaining portion of the loan.

27. Cash and Cash Equivalents

	The Group		The Company	
	2018	2017 Restated	2018	2017
	$'000	$'000	$'000	$'000
Cash in hand and at bank	2,481,051	1,995,968	22,405	69,701
Certificate of deposits	251,134	381,172	36,632	38,168
Resale agreements	247,339	63,610	-	-
	2,979,524	2,440,750	59,037	107,869

(a) As at December 31, 2018, the fair value of the underlying securities of resale agreements amounted to $251,469,000 (2017: $70,593,000).

(b) Restricted cash includes the following:

(i) An amount of $20 million (2017: $20 million), which is the minimum regulatory requirement to fund the Lucky 5 and Top Draw game, was set aside as a reserve by Prime Sports (Jamaica) Limited (PSJL), a subsidiary;

(ii) As a condition of its lottery licence, PSJL is required to establish a dedicated bank account into which funds are deposited to ensure that on a continuous basis throughout the term of the licence, the credit balance on that account is not less than 100% of the aggregate amount of its liabilities, which include prize liabilities, fees payable to BGLC, gaming taxes payable to the Government of Jamaica and contribution to CHASE Fund. At the reporting date, the balances in the dedicated bank accounts totalled $1.09 billion (2017: $809 million), which is in excess of the reserve requirement of $419 million (2017: $322.6 million);

(iii) An amount of $ 5.8 million (2017: $5.8 million) is restricted to facilitate a guarantee issued in favour of Jamaica Public Service Company Limited for the provision of electricity services.

(iv) Cash and cash equivalents include $38.2 million, which represents restricted funds. These monies are managed by Supreme Ventures Racing & Entertainment Limited on behalf of racehorse owners and are used to claim/buy horses from other owners.

28. Prize Liabilities

	The Group	
	2018	**2017**
	$'000	**$'000**
Local lottery games ((a) below)	232,682	221,508
Multi-jurisdictional lottery game ((b) below)	261,246	140,958
Horse-racing Dividends	58,525	32,364
Sports Betting	6,950	5,950
	559,403	400,780

(a) This represents the prize liabilities associated with the local lottery games operated under licence by the subsidiary, Prime Sports (Jamaica) Limited, including an amount accrued for the advertised jackpot of $61 million (2017: $37 million).

(b) 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, Barbados, Bermuda, Jamaica, St. Kitts and Nevis, St. Maarten, United States Virgin Islands, Dominican Republic (up to February 27, 2015) and Paraguay (since April 7, 2014). Under the rules of the Super Lotto game, and as agreed by BGLC, jackpot contributions are calculated and accumulated based on a specified portion of every bet.

29. Trade and Other Payables

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables	1,148,201	810,834	-	-
Service contractor fees	375	118,343	-	-
Contributions payable to CHASE Fund	-	106,513	-	-
Contributions payable to the BGLC	49,302	62,401	-	-
Contributions payable to the JRC	-	2,194	-	-
Government taxes payable	66,466	67,969	-	-
Other payables and accruals	672,704	447,412	133,027	77,495
	1,937,048	1,615,666	133,027	77,495

30. Share Capital

Authorised:

3,000,000,000 ordinary stock units at no par value

	2018	2017
	$'000	$'000
Stated capital:		
2,637,254,926 ordinary stock units, issued and fully paid	1,967,183	1,967,183

31. 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.

32. Long-term Payables

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
(a) Due to IGT	-	7,597	-	-
(b) PayDay prize liability	17,152	18,852	-	-
(c) Loans payable	143,288	380,934	143,288	380,934
	160,440	407,383	143,288	380,934
Less: current portion	(80,804)	(130,512)	(80,804)	(122,129)
	79,636	276,871	62,484	258,805

(a) This represents the balance on a loan facility provided by IGT, being the cost of certain VLT equipment acquired in the previous year. The loan is interest-free and repayable in twenty-four (24) equal monthly instalments of US$6,735. The loan was fully repaid during the year.

(b) PayDay prize liability represents the present value of a monthly prize annuity of $150,000 due and payable for twenty (20) years, expiring October 25, 2036. It is stated net of an unamortised discount of $14 million (2017: $15 million).

(c) Loans payable represents the balance on a credit facility of $650 million from Sagicor Bank Jamaica Limited, to support the Group's acquisition of the Caymanas Track operations (note 39). The loan facility includes a moratorium of 12 months on principal payments, with interest accruing at a rate of 7.5% (2017:9%) per annum, for five (5) years.

33. Finance Lease Obligations

The Group has currently has three (3) finance lease agreements as follows:

- (i) For the lease of Caymanas Park.
- (ii) For the lease Horseracing Tote system (Amtote)
- (iii) Entertainment space ay Sabina Park

Obligations under finance lease obtained during the year are as follows:

	2018 $'000	2017 $'000
Minimum payments –		
Not later than one year	21,904	-
Later than one year and not later than five years	1,135,122	1,032,058
	1,157,026	1,032,058
Less: Future finance charges	(717,155)	(716,346)
	439,871	315,712
The present value of finance lease liabilities is as follows:		
Not later than one year	16,287	-
Later than one year and not later than five years	423,584	315,712
	439,871	315,712

34. Investment in Subsidiaries

	The Company	
	2018 $'000	2017 $'000
Prime Sports (Jamaica) Limited	1,938,651	1,938,651
Supreme Ventures Racing and Entertainment Limited	150,000	150,000
Big 'A' Track 2003 Limited	5,760	5,760
Transtel Jamaica Limited	1	1
	2,094,412	2,094,412

35. Related Party Transactions and Balances

		The Company	
		2018	2017
		$'000	$'000
(a)	Long term receivables – Supreme Ventures Racing and Entertainment Limited	344,621	-
(b)	Due from subsidiaries:		
	Prime Sports (Jamaica) Limited		123,961
	Supreme Ventures Racing and Entertainment Limited	54,067	344,621
	Big 'A' Track 2003 Limited	525	-
	Supreme Venture Guyana Holdings Incorporated	131,509	-
		186,101	468,582
(c)	Due to subsidiary		
	Prime Sports (Jamaica) Limited	2,686	-
	Big 'A' Track 2003 Limited	-	2,803
		2,686	2,803

(i) Identity of related parties

The Company has a related party relationship with its directors, subsidiaries, companies with common directors, and a jointly controlled entity. "Key management personnel" represents directors of the Company and certain members of the Group's executive management.

(ii) Trading transactions with related parties

Prime Sports (Jamaica) Limited is provided with technical services by a former related entity (at December 31), Intralot S.A., its affiliates and subsidiaries. Intralot receives a fee based on agreed percentages of net revenues for its other services.

(iii) The consolidated and company income statements include the following transactions with related parties:

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Subsidiaries -				
Management fees	-	-	526,063	484,926
Interest income	-	-	13,785	-
Dividend income	-	-	2,342,788	1,517,000
Other related parties -				
Interest and other income earned	32,641	-	-	-
Other expenses	56,007	160,514	-	39,570

35. Related Party Balances and Transactions (Continued)

(d) Compensation of key management personnel

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

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Management remuneration	305,593	271,412	109,451	116,496
Post-employment benefits	4,722	4,397	-	-
	310,315	275,809	109,451	116,496

(e) The following have been charged in arriving at profit before income tax:

	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Directors' emoluments -				
Management remuneration	88,170	116,496	88,170	116,496
Pension contributions	8,041	20,055	8,041	504

(f) Professional fees paid to directors for services rendered during the year aggregated $ 102.94 million (2017: $79.49 million) for the Group and the Company.

(g) Provisions or write-offs

No provisions or write-offs have been recognised for amounts advanced to key management or related parties.

36. Operating Lease Arrangements

(a) As lessor
At December 31, the future minimum lease receivables are as follows:

	The Group	
	2018	2017
	$'000	$'000
Within 1 year	24,492	23,202
Between one and five years	100,948	97,540
More than five years	210,868	203,862
	336,308	324,604

During the year, minimum lease income of $23,811,365 (2017: $22,546,362) was recognised.

36. Operating Lease Arrangements (Continued)

(b) As lessee

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

Minimum operating lease rental commitments are as follows:

	2018	2017
	$'000	$'000
Lease expense	125,359	122,897
Sub-lease income	(12,731)	(20,768)
	112,628	102,129

Amounts recognised in the Group Statement of Profit or Loss and Other Comprehensive Income:

(c) As lessor

At December 31, the future minimum lease receivables are as follows:

	The Group	
	2018	2017
	$'000	$'000
Within 1 year	112,074	47,312
Between one and five years	139,541	83,534
More than five years	32,794	-
	284,409	130,846

Supreme Ventures Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

37. Distributions

(a) Distributions

		2018 $'000	2017 $'000
Final dividend for 2016 paid March 27, 2017	9¢	-	237,353
First interim dividend paid May 31, 2017	14¢	-	369,216
Second interim dividend paid September 8, 2017	16¢	-	421,961
Third interim dividend paid December 4, 2017	14¢	-	369,216
Special dividend paid December 4, 2017	18¢	-	474,705
Final dividend for 2017 paid March 23, 2018	12¢	316,470	-
Special dividend paid March 23, 2018	8¢	210,980	-
First interim dividend paid June 1, 2018	21¢	553,824	-
Special dividend paid June 1, 2018	9¢	237,353	-
Second interim dividend paid August 20, 2018	15¢	395,588	-
Third interim dividend paid November 23, 2018	16¢	421,961	-
		2,136,176	1,872,451

(b) Proposed

At a meeting of the Board of Directors held on February 21, 2019, a dividend of 17 cents per share was declared.

38. 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 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 was expected that the Court would have given its decision by April 30, 2018. 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.

(b) Contingencies - Guarantees

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 the Betting, Gaming and Lotteries Commission (BGLC). The Company and the BGLC have agreed that the secured debenture and the guarantee constitute compliance by the subsidiary, Prime Sports (Jamaica) Limited (PSJL), with the requirements of the licence granted by BGLC that the equity capitalisation of PSJL be not greater than $500 million, and PSJL will accordingly be treated as having $500 million of stockholders' equity for the purpose of the condition of the BGLC licence that refers to stockholders' equity. Accordingly, BGLC will hold the Company responsible and liable for any breaches of the licence by its subsidiary, PSJL.

(c) Contingencies - Prime Sports (Jamaica) Limited

In accordance with the requirements of the Betting, Gaming and Lotteries Act granting a Bookmaker's permit to Prime Sports (Jamaica) Limited (PSJL), a performance bond guarantee arrangement was executed with The Bank of Nova Scotia Jamaica Limited (BNS) for an amount of $12.6 million. Under the said performance bond covering the period June 24, 2018 to June 24, 2023, BNS would pay on demand any sums which may from time to time be demanded by the BGLC up to a maximum aggregate sum of $12.6 million. The bank guarantee is secured by a hypothecated term deposit in the amount of $12.6 million.

Supreme Ventures Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

38. Contingencies and Commitments (Continued)

(d) Contingencies - Super Lotto Jackpot Liability

As required under Condition 7 attached to the approval granted by the BGLC to promote the multi-jurisdictional game, 'Super Lotto', the Company, as the applicant, has made arrangements for a stand-by financing facility of $600 million from BNS. 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 are settled with the revenue authorities in Jamaica.

(e) Commitment - Licence fees to the Betting, Gaming and Lotteries Commission (BGLC)

In accordance with conditions attached to the lottery, sports betting and VLT licences granted by the BGLC, annual licence fees aggregating $45.7 million (2017: $45.8 million) fall due for payment each year.

(f) Capital commitments

	The Group	
	2018	**2017**
	$'000	**$'000**
Machinery and equipment	-	-
Leasehold improvements	-	10,107
Furniture, fixtures, machinery and equipment	25	9,543
Signs and posters	-	-
Computer equipment	1,238	3,209
Computer software	3,310	1,237
Work-in-progress	6,163	774
	10,736	24,870

(g) Sponsorship commitments

Commitments pursuant to sponsorship agreements entered into by the Group are as follows:

	The Group	
	2018	**2017**
	$'000	**$'000**
2018	-	42,000
2019	57,050	-
2020	6,550	-
	63,600	42,000

38. Contingencies and Commitments (Continued)

(h) Contingent commitment

The Group has a commitment to develop and modernize the Caymanas Park, which involves the following outlays:

Milestone	Implementation period from commencement date	$'000
Phase 1	Within two (2) years	200,000
Phase 2	Between year three (3) and year (5)	300,000
		500,000

If the Group fails to implement any milestone by the relevant deadline, the Group shall deposit with CTL the amount allocated for the achievement of said milestone and CTL shall hold the funds in escrow in a commercial bank in Jamaica provided that:

(a) If milestone is later achieved or replaced as agreed by the Group and GOJ's Project Monitoring Committee, the funds together with interest thereon shall be returned to the Group; or

(b) If the lease is terminated without the achievement of said or replaced Milestone, CTL shall be entitled to retain the funds together with interest thereon.

39. Acquisition of Horse-Racing Business

On March 15, 2016, the Company was selected by the Government of Jamaica (GOJ) as the preferred bidder for the acquisition of the horse-racing, simulcast horse-racing promotion and pari-mutuel pool operations of Caymanas Track Limited (CTL). On February 10, 2017, the Company, its nominee subsidiary, Supreme Ventures Racing & Entertainment Limited (SVREL), the GOJ and CTL, signed an agreement (Agreement) for SVREL to acquire CTL's operations, which provides for:

- The purchase of chattels owned by CTL;
- The assignment of CTL Logo to SVREL; and
- A thirty (30) year renewable lease of CTL's property, extendable at the option of SVREL, or its assignee, for a further term of thirty (30) years.

The commencement date of the acquisition, the assignment and the lease was March 7, 2017.

Since the date of acquisition, the horse-racing operations has contributed revenue of $4.8 billion and attributable post-acquisition loss of $204.8 million to the Group's results in the period to December 31, 2017. If the acquisition had occurred on January 1, 2017, management estimates that revenue from horse-racing operations would have been $ 5.8 billion, and loss for the year would have been $ 245.7 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on March 7, 2017.

39. Acquisition of Horse-Racing Business (Continued)

The following summarises the fair value of the identifiable assets and liabilities recognised by the Group at the date of acquisition:

(i) Identifiable assets acquired

	2017
	$'000
Inventories	9,337
Property and equipment	606,035
Intangible assets	1,019
	616,391
Consideration transferred:	
Cash	305,752
Finance lease obligation	306,703
Contingent liabilities	-
Gain on acquisition	3,936

(ii) Cash flow on acquisition

	2017
	$'000
Total cash transferred, being net cash used on acquisition	305,752

(iii) Acquisition-related costs

In 2017 The Group incurred acquisition-related costs of $ 13.5 million of which $8.3 million was incurred by the Company. These costs have been included in professional fees expenses' in profit for the prior period.

39. Acquisition of Horse-Racing Business (Continued)

(iv) The fair value of certain material asset categories was established as follows:

1. Property and equipment:

   The value of leased property was the lower of the fair value of the leased asset and present value of the minimum lease payments. The value of equipment was assessed through cost techniques, specifically the depreciated replacement cost methodology to account for physical deterioration as well as functional and economic obsolescence.

2. Intangible assets:

   The value of trademark and acquired contracts was assessed through market benchmarking information provided by independent data specialists/through the multi-period excess earnings method, performed by a qualified independent valuator/using the incremental cash flow method.

(v) Bargain purchase

The consideration of $612,455,000 is less than the net assets of the business of $616,391,000 thereby resulting in a gain of $3,936,000, recognised in the statement of profit and loss and other comprehensive income.The bargain purchase has resulted from the application of measurement principles in accordance with IFRS 13.

Supreme Ventures Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

40. Net Debt Reconciliation

	Group			Company		
	Finance leases $'000	**Loan liabilities $'000**	**Total $'000**	**Finance leases $'000**	**Loan Liabilities $'000**	**Total $'000**
Net debt as at 1 January 2017	(300,013)	-	(300,013)	-	(380,934)	(380,934)
Cash flows				-	-	-
Addition	(24,509)	(380,934)	(405,443)	-	-	-
Foreign exchange adjustment	8,810	-	8,810	-	-	-
Net debt as at 31 December 2017	(315,712)	(380,934)	(696,646)	-	(380,934)	(380,934)
Addition	(132,842)	(35,031)	(167,873)	-	(17,878)	(17,878)
Repayment	11,144	237,647	248,791	-	237,647	237,647
Foreign exchange adjustment	(2,461)	-	(2,461)	-	-	-
Interest paid	-	17,878	17,878	-	17,878	17,878
Net debt as at 31 December 2018	(439,871)	(160,440)	(600,311)	-	(143,287)	(143,287)

41. Changes in Accounting Policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue Recognition on the group's financial statements.

(a) Impact on financial statements

The group has adopted IFRS 9 and IFRS 15 for the financial year ended 31 December 2018 which resulted in a change in the group's accounting policies. As explained in note 2, IFRS 9 and IFRS 15 were generally adopted without restating comparative information. The reclassifications and adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018.

(b) IFRS 9 Financial instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments and impairment of financial assets.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2 above. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

There was no impact on the group's retained earnings as at 1 January 2018. In addition there are no changes to the classification of financial assets under IFRS 9.

41. Changes in Accounting Policies (Continued)

(c) Impairment of financial assets

The group has two types of financial assets that are subject to IFRS 9's new expected loss credit loss model specifically:

- trade receivables, and
- long term receivables.

In addition the parent has due from related party balances, long term receivables and trade receivables that are subject to IFRS 9's new expected loss credit loss model.

The group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. There was no material impact to the opening retained earnings and equity associated with this change.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. This resulted in an immaterial increase of the loss allowance on 1 January 2018.

(d) IFRS 15 Revenue Recognition

IFRS 15 replaces the provisions of IAS 18 that relate to revenue recognition. IFRS 15 introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price.

The adoption of IFRS 15 Revenue Recognition from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The accounting policies under IAS 18 and IFRS 15 are set out in note 2 above. In accordance with the transitional provisions in IFRS 15, comparative figures have not been restated.

There was no material impact on the group's retained earnings as at 1 January 2018.

Reconciliation of Contract Liabilities

	2018
	$'000
Reclassified from Trade and other payables	1,150
Additions during the year	3,414
Amount recognized as revenue	(1,150)
Ending balance	3,414

	2018
	$'000
Revenue recognised that was included in the contract liability balance	
Lucky 5	91
Top Draw	88
Lotto	467
Super Lotto	504
	1,150

Disaggregation of revenue

There are no material unsatisfied performance obligations at year end.

42. Restatement

A restatement was made to the Group's financial statements for the year ended 31 December 2017. The effect of the restatement is as follows:

(a) Revenue classification
Prior to 2018, the company classified all gross proceeds from ticket sales as revenue which was in contravention with IAS 39 which mandates that proceeds for fixed odds wagering games should not be recognised as revenue as this is out of the scope of the revenue standards . The amounts should be recoded net of prize payouts as other revenue. As a result the prior year presentation of revenue and other revenue had to be restated to the presentation for 2018 and to be in full compliance with IFRS. This restatement only affected the presentation of the income statement and did not affect the profit figures the previous year or any other years.

(b) Reversal of impairment of investment property
Valuations done at the end of 2018 indicated that a decrease in fair value of $196,976,000 recognized in 2017 was not supported. The valuations indicated that instead a small gain of $4,726,000 should have been recorded instead. A restatement of 2017 figures was done to reverse the decrease in fair value and recognizing the gain.

(c) Reclassification of items on income statement
A few items in the income statement were reclassified to conform with the new 2018 presentation.

The effects of the restatements on the Statement of Comprehensive Income and Statement of Financial Position are as follows:

Supreme Ventures Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

42. Restatement (Continued)

	As previously reported 2017 $'000	Restatement of investment property $'000	Fixed odd wagering games adjustment $'000	Reclassification $'000	As restated $'000
Revenue	56,186,633	-	(26,505,806)	-	29,680,827
Cost of sales/Direct Expenses	(50,558,111)	-	26,483,897	-	(24,074,214)
Gross profit	5,628,522	-	(21,909)	-	5,606,613
Selling, general and admin/Operating expenses	(3,620,635)	196,976	-	-	(3,423,659)
Profit from operations	2,007,887				
Selling, general and admin expenses					
Other income	-	-	-	237,659	237,659
Other gains	124,755	-	-	(124,755)	-
Interest income	90,995	-	-	(90,995)	-
Net foreign exchange gain	628	-	-	(628)	-
Net impairment losses on intangible assets	(318,107)	-	-	-	(318,107)
Operating Profit	-	-	-	21,281	2,102,506
Finance costs	(61,491)	-	-	628	(60,863)
Revaluation gain in investment properties	-	4,726	-	-	4,726
Profit before taxation	1,844,667	201,702	(21,909)	21,909	2,046,369

	As previously reported $'000	Adjustment to Investment property $'000	Restated 2017 $'000
Non-Current Assets			
Investment properties	618,299	201,701	820,000
Total assets	6,175,160	201,701	6,376,861
Retained earnings	1,091,556	201,701	1,293,257
Equity	3,121,225	201,701	3,322,926

SHAREHOLDINGS

SUPREME VENTURES LIMITED TOP 10 SHAREHOLDINGS December 31, 2018			
NAME	**JOINT HOLDER/CONNECTED INTERESTS**	**VOLUME**	**PERCENTAGE**
Zodiac Caribbean Ventures Limited	Brent Sankar	816,957,783	30.978
	Colin Mouttet	7,740,455	0.294
		824,698,238	**31.271**
Mayberry Jamaican Equities Limited	Christopher Berry; Gary Peart	**399,976,722**	**15.166**
Ian Kent Levy		320,541,171	12.154
Ian Kent Levy	Matthew Levy	4,000,000	0.152
		324,541,171	**12.306**
Janette Stewart		65,000,000	2.465
Janette Stewart		105,005,043	3.982
Janette Stewart	Steven Hudson	587,433	0.022
		170,592,476	**6.469**
Stephen Castagne		**94,052,136**	**3.566**
St. Elizabeth International Limited	William David McConnell	**65,984,174**	**2.502**
Sagicor Pooled Equity Fund		**48,313,478**	**1.832**
JCSD Trustee Services Ltd - Sigma Optima		**40,673,713**	**1.542**
PWL Bamboo Holdings Group Limited	Christopher Berry	**29,171,385**	**1.106**
Sunfisher Corporation		**24,648,118**	**0.935**

SUPREME VENTURES LIMITED
DIRECTORS' SHAREHOLDINGS
As at December 31, 2018

DIRECTOR NAME	PRIMARY HOLDER	JOINT HOLDER/CONNECTED INTERESTS	VOLUME	PERCENTAGE
W David McConnell	St. Elizabeth International Ltd	Director / Shareholder	65,984,174	2.5020
	Ironrock Insurance Company Limited	Director / Shareholder	1,650,000	0.0626
	Scotia Investments Limited	Director / Shareholder	-	-
	St. Elizabeth Holding Ltd	Director / Shareholder	2,600,000	0.0986
			70,234,174	**2.6632**
Ian Kent Levy	Ian Kent Levy		320,541,171	12.1543
	Ian Kent Levy	Matthew Kent Levy	4,000,000	0.1517
			324,541,171	**12.3060**
Steven A. Hudson	Janette Stewart	Steven A. Hudson	587,433	0.0223
	Janette Stewart	Connected	65,000,000	2.4647
	Janette Stewart	Connected	105,005,043	3.9816
			170,592,476	**6.4686**
Peter McConnell	Peter McConnell	Stephanie McConnell	8,271,842	0.3137
	United Estates Ltd Pension Plan	Connected	638,224	0.0242
	Trade Winds Citrus Ltd, Pension Fund	Connected	591,121	0.0224
	Wakefield Farms Ltd.	Connected	2,000,000	0.0758
	Worthy Park Estate	Director / Shareholder	-	-
	RSF Holdings	Director / Shareholder	-	-
	Stephen McConnell	Son	5,010	0.0002
	Rebecca Ashley McConnell	Daughter	-	-
	Fraser Nicholas McConnell	Son	-	-
	Stephanie Ann McConnell	Wife	-	-
			11,506,197	**0.4363**
Brent Sankar	Zodiac Caribbean Ventures Limited	Officer	816,957,783	30.9776
	Colin Mouttet	Connected	7,740,455	0.2935
	Ice Jamaica Ltd	Director	-	-
			824,698,238	**31.2711**
Ian Moore	Ian Moore		-	-
	CWS Limited	Connected	-	-
Ansel Howell	Ansel Howell		-	-
Ann-Dawn Young Sang	Ann-Dawn Young Sang		99,000	0.0038
	Young Sang Bakery & Superette	Connected	-	-
	Gerald Young Sang	Connected	-	-
			99,000	**0.0038**
Lance Hylton	Hylton & Hylton Attorneys-At-Law	Connected	-	-
Christopher Berry	Mayberry Jamaican Equities Limited	Director	399,976,722	15.1664
	PWL Bamboo Group Holdings Limited	Director	29,171,385	1.1061
	Apex Pharmacy	Shareholder	5,000,000	0.1896
	Apex Health Care	Shareholder	-	-
	Konrad Limited	Connected	2,000,000	0.0758
	Broadleaf Properties	Connected	-	-
	Konrad Berry	Connected	24,582,142	0.9321
	A+ Plus Medical Centre Ltd	Shareholder	500,000	0.0190
	Mayberry Investments Ltd	Director	-	-
	Lasco Financial Services Ltd	Director	-	-
	Caribbean Producers Jamaica	Director	-	-
	Ho Choi Ltd	Shareholder	13,000,000	0.4929
	Mayberry Investments Limited Pension Scheme	Sponsor Trustee	2,413,603	0.0915
	Mayberry Investments Limited Retirement Scheme	Sponsor Trustee	1,331,226	0.0505
	Mayberry Pension Limited I.R.P	Sponsor Trustee	1,530,612	0.0580

SUPREME VENTURES LIMITED
DIRECTORS' SHAREHOLDINGS CONT'D
As at December 31, 2018

DIRECTOR NAME	PRIMARY HOLDER	JOINT HOLDER/CONNECTED INTERESTS	VOLUME	PERCENTAGE
Christopher Berry	Mayberry Managed Clients Account	Connected	12,360,096	0.4687
	The Mayberry Foundation Ltd.	Connected	3,000,504	0.1138
	Mayberry Managed Employee Portfolio	Connected	-	-
	Ironrock Insurance Company Limited	Director	1,650,000	0.0626
	Green Shoots Jamaica Limited	Chairman		
	Patricia Yap	Connected	-	-
	William Berry	Connected	-	-
	Lauren Berry	Connected	-	-
			496,516,290	**18.8270**
Gary Peart	VDWSD Ltd	Shareholder	23,161,128	0.8782
	Mayberry Jamaican Equities Limited	Connected	399,976,722	15.1664
	Mayberry Investments Limited Pension Scheme	Connected	2,413,603	0.0915
	Mayberry Investments Limited Retirement Scheme	Connected	1,331,226	0.0505
	Mayberry Pension Limited I.R.P	Connected	1,530,612	0.0580
	Mayberry Managed Clients Account	Connected	12,360,096	0.4687
	The Mayberry Foundation Ltd.	Connected	3,000,504	0.1138
	Ironrock Insurance Company Limited	Director / Shareholder	1,650,000	0.0626
	Lasco Financial Services Ltd	Director / Shareholder	-	-
	Lasco Distributors Ltd	Director / Shareholder	-	-
	Mayberry Managed Employee Portfolio	Connected	-	-
			445,423,891	**16.8897**
Duncan Stewart	San Dollars Investments Limited	Director	**20,526,316**	**0.7783**

SUPREME VENTURES LIMITED
SENIOR MANAGEMENT'S SHAREHOLDINGS

As at December 31, 2018

NAMES	JOINT HOLDERS/CONNECTED INTEREST	VOLUME	PERCENTAGE
Ann-Dawn Young Sang		99,000	0.0038
	Young Sang Bakery & Superette	-	-
	Gerald Young Sang	-	-
		99,000	**0.0038**
Dennis Chung		-	-
Heather Goldson	David L Goldson	**253,800**	**0.0096**
Lorna Gooden	Gregory Paul Anthony Gooden	8,300	0.0003
		18,300	0.0007
		26,600	**0.0010**
Andrew Bromley		**4,000**	**0.0002**
Krista-Gaye Fisher		-	-
Tashia Hutton	Heston Anthony Hutton	**10,500**	**0.0004**
Andre Marks		2,200	0.0001
	Opel Marks	8,000	0.0003
		10,200	**0.0004**
Carolyn Bolt-Nicholas		-	-
Perry Crawford		-	-
Cheryl Hylton		-	-
Toni Spencer	Adrian Spencer	**592,698**	**0.0225**
Aden Whittaker		**10,000**	**0.0004**

Corporate Secretariat:
9A Retirement Crescent
Kingston 5
Jamaica. W.I.
Tel: (876) 656-9310
Fax: (876) 906-3305
Email:**svlsecretariat@svlotteries.com**
Website: www.supremeventures.com