

SUPREME VENTURES LIMITED  
FINANCIAL STATEMENTS  
DECEMBER 31, 2016



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## INDEPENDENT AUDITORS' REPORT

To the Members of  
SUPREME VENTURES LIMITED

### **Report on the Financial Statements**

#### *Opinion*

We have audited the financial statements of Supreme Ventures Limited ("the Company") comprising the separate financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries ("the Group"), set out on pages 8 to 75, which comprise the Group's and the Company's statements of financial position as at December 31, 2016, the Group's and the Company's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at December 31, 2016, and of the group's and the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Jamaican Companies Act.

#### *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 Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
SUPREME VENTURES LIMITED

**Report on the Financial Statements (continued)**

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**The Key Audit Matter**

**How the matter was addressed in our audit**

**Impairment of investment properties**

Our audit procedures included, amongst others:

A previously recognised impairment loss on investment properties was reversed during the year, due to the increase in fair value of the properties (Note 5).

- Assessing the qualifications, objectivity, independence and competence of the valuator.
- Establishing the consistency of the valuation approaches used with IFRS 13, *Fair Value Measurement* and their suitability for use in determining the market value of the investment properties as at December 31, 2016.
- Evaluating the assumptions and underlying data used in determining the fair value, including identification of similar transactions and listings, corroborating discussions with the valuator, within our understanding of the market environment.
- Assessing the adequacy of the disclosures in accordance with IAS 40, *Investment Property* and IAS 36, *Impairment of Assets*.

The determination of market value requires significant estimation and is inherently subjective, as key inputs are not observable from available market information.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
SUPREME VENTURES LIMITED

**Report on the Financial Statements (continued)**

*Key Audit Matters (continued)*

**The Key Audit Matter**

**How the matter was addressed in our audit**

**Goodwill and intangible assets impairment assessment**

Our audit procedures included, amongst others:

The Group's goodwill and licenses with indefinite useful lives are tested annually for impairment (Note 6).

There is inherent uncertainty involved in forecasting and discounting future cash flows and requires management to make significant judgment in respect of factors such as discount rates and growth rates, which are the bases of the impairment assessment.

- With the assistance of our valuation specialist, evaluating the assumptions and methodologies used by the Group, in particular those relating to the forecasted revenue growth for lottery and gaming operations. We compared the Group's assumptions to externally derived data as well as our own assessments in relation to key inputs such as projected economic growth, inflation and discount rates.
- Assessing the reasonableness of the cash flow projections and the underlying assumptions, including agreeing inputs to source data and comparison of past budgets with actual performance. Where budgets deviated from historical performance or our expectations, we made inquiries of management to understand the nature and reasons for the variations.
- Assessing the adequacy of the Group's disclosures in accordance with IAS 36, *Impairment of Assets* in particular key assumptions made in the determination of the recoverable amounts of goodwill and infinite intangible assets.





INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
SUPREME VENTURES LIMITED

**Report on the Financial Statements (continued)**

*Other information*

Management is responsible for the other information. The other information comprises the information in the Group's annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the 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 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 the Board of Directors.

*Responsibility of Management and Board of Directors for the Financial Statements*

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

In preparing the financial statements, management is responsible for assessing the 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 and the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
SUPREME VENTURES LIMITED

**Report on the Financial Statements (continued)**

*Audit Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix of this auditor's report. This description, which is located at page 6, forms part of our auditor's report.

**Report on Additional Matters 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 maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

The engagement partner on the audit resulting in this independent auditors' report is R. Tarun Handa.

A stylized signature of the KPMG logo, with the letters 'KPMG' in a blue, handwritten-style font, followed by a blue checkmark.

Chartered Accountants  
Kingston, Jamaica

February 27, 2017



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
SUPREME VENTURES LIMITED

**Appendix to the Independent Auditors' Report**

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

- Identify and assess the risks of material misstatement of the 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 internal control of the Group and the Company.
- 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 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
SUPREME VENTURES LIMITED

**Appendix to the Independent Auditors' Report (continued)**

We communicate with the Board of Directors 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 the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

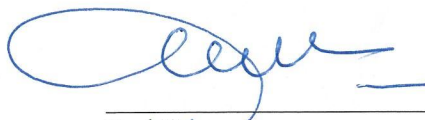
From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes 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.

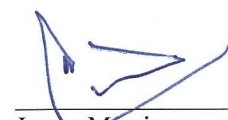


SUPREME VENTURES LIMITEDGroup Statement of Financial Position  
December 31, 2016

	<u>Notes</u>	<u>2016</u> \$'000	<u>2015</u> \$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	4	732,392	751,905
Investment properties	5	815,275	756,238
Goodwill and intangible assets	6	645,705	642,779
Long-term receivables	8	522,029	550,974
Available-for-sale investments	9	8,843	5,363
Other investment	10	19,667	-
Deferred tax asset	11	<u>117,445</u>	<u>137,882</u>
Total non-current assets		<u>2,861,356</u>	<u>2,845,141</u>
<b>Current assets</b>			
Inventories	12	192,601	149,413
Income tax recoverable		15,385	13,155
Trade and other receivables	14	864,100	752,155
Cash and cash equivalents	15	<u>1,499,908</u>	<u>1,639,049</u>
Total current assets		<u>2,571,994</u>	<u>2,553,772</u>
<b>Total assets</b>		<u>5,433,350</u>	<u>5,398,913</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Stockholders' equity</b>			
Share capital	16	1,967,183	1,967,183
Capital reserve	17	62,486	62,486
Fair value reserve	18	3,480	-
Retained earnings	19	<u>1,767,052</u>	<u>1,564,368</u>
Total stockholders' equity		<u>3,800,201</u>	<u>3,594,037</u>
<b>Non-current liability</b>			
Long-term payables, being total non-current liability	20	<u>26,604</u>	<u>-</u>
<b>Current liabilities</b>			
Prize liabilities	21	242,839	268,536
Trade and other payables	22	1,341,285	1,251,720
Income tax payable		<u>22,421</u>	<u>284,620</u>
Total current liabilities		<u>1,606,545</u>	<u>1,804,876</u>
<b>Total stockholders' equity and liabilities</b>		<u>5,433,350</u>	<u>5,398,913</u>

The financial statements on pages 8 to 75 were approved for issue by the Board of Directors on February 27, 2017 and signed on its behalf by:

  
\_\_\_\_\_  
Paul Ho Director

  
\_\_\_\_\_  
James Morrison Director

The accompanying notes form an integral part of the financial statements.

SUPREME VENTURES LIMITEDGroup Statement of Profit or Loss and Other Comprehensive Income  
Year ended December 31, 2016

	<u>Notes</u>	<u>2016</u> \$'000	<u>2015</u> \$'000
<b>Revenue</b>	23	44,921,339	43,847,020
Direct expenses	24	(40,812,837)	(39,429,684)
<b>Gross profit</b>		4,108,502	4,417,336
Operating expenses	25	( 2,709,768)	( 2,971,402)
Profit from operations		1,398,734	1,445,934
Interest income		66,553	74,538
Net foreign exchange gains	26	11,988	8,101
Finance costs	27	( 323)	( 2,973)
Other gains	28	<u>184,940</u>	<u>89,230</u>
<b>Profit before taxation</b>	29	1,661,892	1,614,830
Taxation	30	( 483,424)	( 431,080)
<b>Profit for the year</b>		1,178,468	1,183,750
<b>Other comprehensive income</b>			
Item that may be reclassified to profit or loss			
Unrealised gain on available-for sale investments	9	<u>3,480</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>1,181,948</u>	<u>1,183,750</u>
<b>Earnings per stock unit</b>	31	<u>44.69</u> cents	<u>44.89</u> cents

The accompanying notes form an integral part of the financial statements.

SUPREME VENTURES LIMITEDGroup Statement of Changes in Equity  
Year ended December 31, 2016

	<u>Share capital</u> \$'000 (Note 16)	<u>Capital reserve</u> \$'000 (Note 17)	<u>Fair value reserve</u> \$'000 (Note 18)	<u>Retained earnings</u> \$'000 (Note 19)	<u>Total</u> \$'000
Balance as at December 31, 2014	1,967,183	62,486	-	2,015,716	4,045,385
Profit for the year, being total comprehensive income for the year	-	-	-	1,183,750	1,183,750
<b>Transactions with stockholders</b>					
Distributions (note 35)	<u>-</u>	<u>-</u>	<u>-</u>	(1,635,098)	(1,635,098)
Balance as at December 31, 2015	<u>1,967,183</u>	<u>62,486</u>	<u>-</u>	<u>1,564,368</u>	<u>3,594,037</u>
<b>Total comprehensive income for the year</b>					
Profit for the year	-	-	-	1,178,468	1,178,468
Other comprehensive income:					
Unrealised gain on available- for-sale investments	<u>-</u>	<u>-</u>	<u>3,480</u>	<u>-</u>	<u>3,480</u>
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>3,480</u>	<u>1,178,468</u>	<u>1,181,948</u>
<b>Transactions with stockholders</b>					
Distributions (note 35)	<u>-</u>	<u>-</u>	<u>-</u>	( 975,784)	( 975,784)
Balance as at December 31, 2016	<u>1,967,183</u>	<u>62,486</u>	<u>3,480</u>	<u>1,767,052</u>	<u>3,800,201</u>

The accompanying notes form an integral part of the financial statements.

SUPREME VENTURES LIMITEDGroup Statement of Cash Flows  
Year ended December 31, 2016

	<u>2016</u> \$'000	<u>2015</u> \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year	1,178,468	1,183,750
Adjustments for:		
Depreciation of property and equipment	180,157	177,913
Depreciation of investment properties	43,692	9,102
Amortisation of intangible assets	11,325	10,658
Amortisation of other assets	-	4,381
Loss on disposal and write-off of property and equipment	6,179	57,782
(Reversal of) impairment of investment properties	( 102,729)	102,729
Impairment of other assets	-	15,988
Intangible assets written off	-	3,627
Bad debts recognised	52,846	86,427
Net foreign exchange gain on cash and cash equivalents	( 10,222)	( 6,400)
Interest income	( 66,553)	( 74,538)
Interest expense	323	2,973
Taxation	<u>483,424</u>	<u>431,080</u>
Operating cash flow before movement in working capital	1,776,910	2,005,472
Decrease/(increase) in operating assets		
Inventories	( 43,188)	( 36,789)
Trade and other receivables	( 183,921)	( 164,855)
Increase/(decrease) in liabilities		
Trade and other payables	78,380	114,696
PayDay prize liability	19,667	-
Prize liabilities	<u>( 25,697)</u>	<u>( 330,552)</u>
Cash generated by operations	1,622,151	1,587,972
Income tax paid	( 727,416)	( 240,605)
Interest paid	<u>( 323)</u>	<u>( 3,879)</u>
Cash provided by operating activities	<u>894,412</u>	<u>1,343,488</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	( 169,035)	( 124,250)
Acquisition of intangible assets	( 14,251)	( 12,191)
Proceeds on disposal of property and equipment	2,212	353
Long-term receivables	47,703	( 162,362)
Other investment	( 19,667)	-
Interest received	<u>66,925</u>	<u>72,216</u>
Cash used in investing activities	<u>( 86,113)</u>	<u>( 226,234)</u>
Cash flows from operating and investing activities carried forward	<u>808,299</u>	<u>1,117,254</u>

The accompanying notes form an integral part of the financial statements.



SUPREME VENTURES LIMITEDGroup Statement of Cash Flows (Continued)  
Year ended December 31, 2016


	<u>2016</u> \$'000	<u>2015</u> \$'000
Cash flows from operating and investing activities brought forward	<u>808,299</u>	<u>1,117,254</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Due to IGT	18,122	-
Dividends paid	( 975,784)	(1,635,098)
Loans repaid	<u>-</u>	<u>( 77,000)</u>
Cash used in financing activities	<u>( 957,662)</u>	<u>(1,712,098)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>( 149,363)</b>	<b>( 594,844)</b>
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	10,222	6,400
Cash and cash equivalents at the beginning of the year	<u>1,639,049</u>	<u>2,227,493</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><b>1,499,908</b></u>	<u><b>1,639,049</b></u>

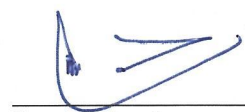
The accompanying notes form an integral part of the financial statements.

SUPREME VENTURES LIMITEDCompany Statement of Financial Position  
December 31, 2016

	<u>Notes</u>	<u>2016</u> \$'000	<u>2015</u> \$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	4	102,356	86,145
Goodwill and intangible assets	6	193,379	189,953
Investment in subsidiaries	7	2,094,412	1,944,412
Long-term receivables	8	490,721	502,645
Available-for-sale investments	9	8,843	5,363
Deferred tax asset	11	<u>2,185</u>	<u>3,367</u>
Total non-current assets		<u>2,891,896</u>	<u>2,731,885</u>
<b>Current assets</b>			
Income tax recoverable		12,022	13,140
Due from subsidiaries	13(a)	161,899	227,175
Trade and other receivables	14	91,431	164,151
Cash and cash equivalents	15	<u>104,606</u>	<u>92,539</u>
Total current assets		<u>369,958</u>	<u>497,005</u>
<b>Total assets</b>		<u>3,261,854</u>	<u>3,228,890</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Stockholders' equity</b>			
Share capital	16	1,967,183	1,967,183
Capital reserve	17	62,486	62,486
Fair value reserve	18	3,480	-
Retained earnings	19	<u>961,791</u>	<u>1,090,159</u>
Total stockholders' equity		<u>2,994,940</u>	<u>3,119,828</u>
<b>Current liabilities</b>			
Trade and other payables	22	116,914	109,062
Due to subsidiary	13(b)	<u>150,000</u>	<u>-</u>
<b>Total current liabilities</b>		<u>266,914</u>	<u>109,062</u>
<b>Total equity and liabilities</b>		<u>3,261,854</u>	<u>3,228,890</u>

The financial statements on pages 8 to 75 were approved for issue by the Board of Directors on February 27, 2017 and signed on its behalf by:

  
\_\_\_\_\_  
Paul Hoo Director

  
\_\_\_\_\_  
James Morrison Director

The accompanying notes form an integral part of the financial statements.

SUPREME VENTURES LIMITEDCompany Statement of Profit or Loss and Other Comprehensive Income  
Year ended December 31, 2016

	<u>Notes</u>	<u>2016</u> \$'000	<u>2015</u> \$'000
<b>Revenue</b>	23	395,000	322,654
Direct expenses	24	<u>-</u>	<u>( 2,235)</u>
<b>Gross profit</b>		395,000	320,419
Dividend income from wholly-owned subsidiary		1,000,000	1,634,726
Operating expenses	25	<u>( 593,316)</u>	<u>( 551,146)</u>
Profit from operations		801,684	1,403,999
Interest income		48,364	56,447
Net foreign exchange losses	26	<u>( 265)</u>	<u>( 1,162)</u>
Finance costs	27	<u>-</u>	<u>( 2,989)</u>
<b>Profit before taxation</b>	29	849,783	1,456,295
Taxation	30	<u>( 2,367)</u>	<u>1,958</u>
<b>Profit for the year</b>		847,416	1,458,253
<b>Other comprehensive income</b>			
Item that may be reclassified to profit or loss			
Unrealised gain on available-for-sale investments	9	<u>3,480</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>850,896</u>	<u>1,458,253</u>

The accompanying notes form an integral part of the financial statements.

SUPREME VENTURES LIMITEDCompany Statement of Changes in Equity  
Year ended December 31, 2016

	<u>Share capital</u> \$'000 (Note 16)	<u>Capital reserve</u> \$'000 (Note 17)	<u>Fair value reserve</u> \$'000 (Note 18)	<u>Retained earnings</u> \$'000 (Note 19)	<u>Total</u> \$'000
Balance as at December 31, 2014	1,967,183	62,486	-	1,267,004	3,296,673
Profit for the year, being comprehensive income for the year	-	-	-	1,458,253	1,458,253
<b>Transactions with stockholders</b>					
Distributions (note 35)	<u>-</u>	<u>-</u>	<u>-</u>	(1,635,098)	(1,635,098)
Balance as at December 31, 2015	<u>1,967,183</u>	<u>62,486</u>	<u>-</u>	<u>1,090,159</u>	<u>3,119,828</u>
<b>Total comprehensive income for the year</b>					
Profit for the year	-	-	-	847,416	847,416
Other comprehensive income					
Unrealised gain on available-for-sale investment	<u>-</u>	<u>-</u>	<u>3,480</u>	<u>-</u>	<u>3,480</u>
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>3,480</u>	<u>847,416</u>	<u>850,896</u>
<b>Transactions with stockholders</b>					
Distributions (note 35)	<u>-</u>	<u>-</u>	<u>-</u>	( 975,784)	( 975,784)
Balance as at December 31, 2016	<u>1,967,183</u>	<u>62,486</u>	<u>3,480</u>	<u>961,791</u>	<u>2,994,940</u>

The accompanying notes form an integral part of the financial statements.



SUPREME VENTURES LIMITEDCompany Statement of Cash Flows  
Year ended December 31, 2016

	<u>2016</u> \$'000	<u>2015</u> \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year	847,416	1,458,253
Adjustments for:		
Depreciation of property and equipment	6,800	5,340
Amortisation of intangible assets	515	25
Intangible assets written off	-	1,350
Dividend income	(1,000,000)	(1,634,726)
Net foreign exchange gain on cash and cash equivalents	( 538)	( 216)
Loss/(gain) on disposal and write-off of property and equipment	142	( 402)
Interest income	( 48,364)	( 56,447)
Interest expense	-	2,989
Taxation	<u>2,367</u>	<u>(1,958)</u>
Operating cash flow before movements in working capital	( 191,662)	( 225,792)
Decrease/(increase) in operating assets		
Inventories	-	2,103
Due from subsidiaries	65,276	( 215,753)
Trade and other receivables	53,883	( 1,506)
(Decrease)/increase in operating liabilities		
Due to subsidiaries	-	( 39,106)
Trade and other payables	<u>7,852</u>	<u>5,931</u>
Cash used by operations	( 64,651)	( 474,123)
Income tax paid	( 67)	( 626)
Interest paid	<u>-</u>	<u>(3,895)</u>
Cash used in operating activities	<u>( 64,718)</u>	<u>( 478,644)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	( 23,153)	( 4,035)
Acquisition of other intangible assets	( 3,941)	-
Proceeds on disposal of property and equipment	-	5,057
Long-term receivables	30,266	405,655
Dividends received	1,000,000	1,674,653
Interest received	<u>48,859</u>	<u>54,125</u>
Cash provided by investing activities	<u>1,052,031</u>	<u>2,135,455</u>
Cash flows from operating and investing activities carried forward	<u>987,313</u>	<u>1,656,811</u>

The accompanying notes form an integral part of the financial statements.

SUPREME VENTURES LIMITEDCompany Statement of Cash Flows (Continued)  
Year ended December 31, 2016

	<u>2016</u> \$'000	<u>2015</u> \$'000
Cash flows from operating and investing activities brought forward	<u>987,313</u>	<u>1,656,811</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(975,784)	(1,635,098)
Loans repaid	<u>-</u>	<u>( 77,000)</u>
Cash used in financing activities	<u>(975,784)</u>	<u>(1,712,098)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	11,529	( 55,287)
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies	538	216
Cash and cash equivalents at the beginning of the year	<u>92,539</u>	<u>147,610</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>104,606</u>	<u>92,539</u>

The accompanying notes form an integral part of the financial statements.

SUPREME VENTURES LIMITED

Notes to the Financial Statements  
December 31, 2016

1. Identification

Supreme Ventures Limited (the Company) is a public limited liability company which is listed on the Jamaica Stock Exchange. The Company's registered office is located at the 4th Floor, R. Danny Williams Building, 28-48 Barbados Avenue, Kingston 5, Jamaica, W.I.

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

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

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

<u>Name of company</u>	<u>Principal activity</u>	<u>Percentage ownership</u> %
Prime Sports (Jamaica) Limited and its wholly-owned subsidiaries:	Betting, gaming and lottery operations licensed by the Betting, Gaming and Lotteries Commission (BGLC)	100
Bingo Investments Limited	Not trading	
Chillout Ventures Limited	Not trading	
Supreme Ventures Financial Services Limited	Not trading	100
Supreme Ventures Lotteries Limited	Not trading	100
Transtel Jamaica Limited	Not trading	100
Big 'A' Track 2003 Limited	Pin code sales	100
Supreme Ventures Racing and Entertainment Limited [see note 39]	Not trading	100

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

Exodus Gaming and Entertainment Limited (Exodus) was incorporated by Prime Sports (Jamaica) Limited (PSJL) on February 20, 2015. Subsequent to its incorporation, Exodus was issued a gaming machine licence and a prescribed premises licence in relation to a property owned by PSJL. The subject property was also leased to Exodus (note 5). On April 27, 2015, PSJL entered into an agreement with Island Holdings Limited (IHL) for the sale of Exodus for US\$300,000 (note 8).

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

2. Statement of compliance and basis of preparation

(a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board, and comply with the relevant provisions of the Jamaican Companies Act (“the Act”).

A summary of significant accounting policies is included in note 40.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgment

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

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 3.

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



SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

3. Accounting estimates and judgments

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) 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. Historical loss experience is applied where indicators of impairment are not observable on individual significant accounts receivable and total trade accounts receivable with similar characteristics, such as credit risks.

## (ii) Impairment of property and equipment and investment properties

IFRS requires that an impairment review be performed when certain impairment indicators are present. These conditions include obsolescence, physical damage, significant changes in the manner by which an asset is used, worse than expected economic performance, drop in revenues or other external indicators.

Determining the recoverable amount of property and equipment and investment properties, requires (i) the determination of future cash flows expected to be generated from the continued use as well as ultimate disposition of such assets and (ii) making estimates and assumptions that can materially affect the financial statements. Future events may cause management to conclude that property and equipment and investment properties are impaired. Any resulting impairment loss could have a material adverse impact on the Group's financial position and results of operations.

The preparation of estimated future cash flows involves significant estimations and assumptions. While management believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges.

## (iii) 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.

**SUPREME VENTURES LIMITED**

Notes to the Financial Statements (Continued)  
December 31, 2016

4. Property and equipment

	The Group										
	Freehold land \$'000	Freehold buildings \$'000	Leasehold improvements \$'000	Video lottery terminal equipment \$'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
<b>Cost</b>											
December 31, 2014	187,921	1,079,827	470,440	511,761	844,858	70,702	142,289	2,363	27,089	-	3,337,250
Additions	-	2,940	22,005	45,638	34,453	13,620	-	-	5,594	-	124,250
Reclassifications	(154,221)	( 873,840)	(113,508)	-	113,508	-	-	-	-	-	(1,028,061)
Disposals/write-offs	-	( 4,307)	( 42,234)	( 76,703)	( 3,827)	-	( 10,848)	-	( 1,007)	-	( 138,926)
December 31, 2015	33,700	204,620	336,703	480,696	988,992	84,322	131,441	2,363	31,676	-	2,294,513
Additions	-	-	17,567	37,430	59,154	21,982	18,500	91	1,006	13,305	169,035
Disposals/write-offs	-	-	-	( 29,990)	( 90)	( 142)	( 22,123)	-	-	-	( 52,345)
December 31, 2016	<u>33,700</u>	<u>204,620</u>	<u>354,270</u>	<u>488,136</u>	<u>1,048,056</u>	<u>106,162</u>	<u>127,818</u>	<u>2,454</u>	<u>32,682</u>	<u>13,305</u>	<u>2,411,203</u>
<b>Accumulated depreciation</b>											
December 31, 2014	-	174,925	282,470	374,385	611,307	54,906	81,646	-	25,839	-	1,605,478
Depreciation	-	17,858	41,130	43,735	45,208	7,164	22,562	-	256	-	177,913
Reclassifications	-	( 159,992)	( 88,039)	-	88,039	-	-	-	-	-	( 159,992)
Disposals/write-offs	-	( 60)	( 16,686)	( 52,245)	( 654)	-	( 10,848)	-	( 298)	-	( 80,791)
December 31, 2015	-	32,731	218,875	365,875	743,900	62,070	93,360	-	25,797	-	1,542,608
Depreciation	-	5,116	27,415	52,276	60,534	10,942	22,960	-	914	-	180,157
Disposals/write-offs	-	-	-	( 23,085)	( 50)	-	( 20,819)	-	-	-	( 43,954)
December 31, 2016	-	<u>37,847</u>	<u>246,290</u>	<u>395,066</u>	<u>804,384</u>	<u>73,012</u>	<u>95,501</u>	-	<u>26,711</u>	-	<u>1,678,811</u>
<b>Net book values</b>											
December 31, 2016	<u>33,700</u>	<u>166,773</u>	<u>107,980</u>	<u>93,070</u>	<u>243,672</u>	<u>33,150</u>	<u>32,317</u>	<u>2,454</u>	<u>5,971</u>	<u>13,305</u>	<u>732,392</u>
December 31, 2015	<u>33,700</u>	<u>171,889</u>	<u>117,828</u>	<u>114,821</u>	<u>245,092</u>	<u>22,252</u>	<u>38,081</u>	<u>2,363</u>	<u>5,879</u>	-	<u>751,905</u>

- (i) Property, previously occupied by the Group, was transferred in 2015 to investment properties arising from a change in use (note 5).  
(ii) Video lottery terminal (VLT) equipment with net book value of \$32,475,000 (2015: \$Nil) is pledged as security for a loan from IGT (note 20).

**SUPREME VENTURES LIMITED**

Notes to the Financial Statements (Continued)  
December 31, 2016

4. Property and equipment (continued)

	The Company								
	<u>Freehold land</u>	<u>Freehold buildings</u>	<u>Leasehold improvements</u>	<u>Furniture fixtures, machinery &amp; equipment</u>	<u>Computer equipment</u>	<u>Motor vehicles</u>	<u>Art &amp; paintings</u>	<u>Signs &amp; posters</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost</b>									
December 31, 2014	13,000	57,691	22,417	264,506	20,422	17,991	2,363	24,642	423,032
Additions	-	2,940	-	745	350	-	-	-	4,035
Disposals/write-offs	-	( 3,807)	-	( 907)	-	( 3,270)	-	-	( 7,984)
December 31, 2015	13,000	56,824	22,417	264,344	20,772	14,721	2,363	24,642	419,083
Additions	-	-	-	4,653	-	18,500	-	-	23,153
Disposals/write-offs	-	-	-	-	( 142)	( 5,550)	-	-	( 5,692)
December 31, 2016	<u>13,000</u>	<u>56,824</u>	<u>22,417</u>	<u>268,997</u>	<u>20,630</u>	<u>27,671</u>	<u>2,363</u>	<u>24,642</u>	<u>436,544</u>
<b>Accumulated depreciation</b>									
December 31, 2014	-	4,704	22,416	242,672	18,755	17,738	-	24,642	330,927
Depreciation	-	1,441	-	2,768	928	203	-	-	5,340
Disposals/write-offs	-	( 59)	-	-	-	( 3,270)	-	-	( 3,329)
December 31, 2015	-	6,086	22,416	245,440	19,683	14,671	-	24,642	332,938
Depreciation	-	1,420	-	2,974	505	1,901	-	-	6,800
Disposals/write-offs	-	-	-	-	-	( 5,550)	-	-	( 5,550)
December 31, 2016	<u>-</u>	<u>7,506</u>	<u>22,416</u>	<u>248,414</u>	<u>20,188</u>	<u>11,022</u>	<u>-</u>	<u>24,642</u>	<u>334,188</u>
<b>Net book values</b>									
December 31, 2016	<u>13,000</u>	<u>49,318</u>	<u>1</u>	<u>20,583</u>	<u>442</u>	<u>16,649</u>	<u>2,363</u>	<u>-</u>	<u>102,356</u>
December 31, 2015	<u>13,000</u>	<u>50,738</u>	<u>1</u>	<u>18,904</u>	<u>1,089</u>	<u>50</u>	<u>2,363</u>	<u>-</u>	<u>86,145</u>

SUPREME VENTURES LIMITEDNotes to the Financial Statements (Continued)  
December 31, 20165. Investment properties

During the prior year, properties previously occupied by the Group and classified in the Group Statement of Financial Position as property and equipment were reclassified to investment properties due to a change in use (note 4).

	<u>The Group</u>		
	<u>Freehold land</u> \$'000	<u>Freehold buildings</u> \$'000	<u>Total</u> \$'000
<b>Cost</b>			
Transferred from property and equipment in 2015, being balance at December 31, 2015 and 2016	<u>154,221</u>	<u>873,840</u>	<u>1,028,061</u>
<b>Accumulated depreciation</b>			
Transferred from property and equipment	-	159,992	159,992
Depreciation	-	9,102	9,102
Impairment	<u>-</u>	<u>102,729</u>	<u>102,729</u>
Balance at December 31, 2015	-	271,823	271,823
Depreciation	-	43,692	43,692
Reversal of impairment	<u>-</u>	<u>(102,729)</u>	<u>(102,729)</u>
Balance at December 31, 2016	<u>-</u>	<u>212,786</u>	<u>212,786</u>
<b>Net book values</b>			
December 31, 2016	<u>154,221</u>	<u>661,054</u>	<u>815,275</u>
December 31, 2015	<u>154,221</u>	<u>602,017</u>	<u>756,238</u>

Investment properties include the Group's interest in freehold land held by Jonepar Development Limited, a related party, amounting to \$34.2 million (2015: \$34.2 million). The properties were valued by independent valuers, Allison Pitter & Co as at December 31, 2016 (2015: George Gregg & Co), who estimated a value of \$820 million (2015: \$756.2 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 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 valuers.

Rental income of \$14.7 million (2015: \$9.9 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 \$4.7 million (2015: \$10.8 million).

**SUPREME VENTURES LIMITED**

Notes to the Financial Statements (Continued)  
December 31, 2016

6. Goodwill and intangible assets

	The Group					The Company			
	Computer software \$'000	Trademarks & licences \$'000	Software usage rights \$'000	Goodwill \$'000	Total \$'000	Computer software \$'000	Trademarks	Goodwill	Total
<b>Cost</b>									
December 31, 2014	77,967	432,211	80,558	189,953	780,689	9,708	1,350	189,953	201,011
Additions	59	12,132	-	-	12,191	-	-	-	-
Disposals/write-offs	( 3,627)	-	-	-	( 3,627)	-	(1,350)	-	( 1,350)
December 31, 2015	74,399	444,343	80,558	189,953	789,253	9,708	-	189,953	199,661
Additions	<u>12,382</u>	<u>1,869</u>	-	-	<u>14,251</u>	<u>3,941</u>	-	-	<u>3,941</u>
December 31, 2016	<u>86,781</u>	<u>446,212</u>	<u>80,558</u>	<u>189,953</u>	<u>803,504</u>	<u>13,649</u>	-	<u>189,953</u>	<u>203,602</u>
<b>Amortisation</b>									
December 31, 2014	68,192	35,400	32,224	-	135,816	9,683	-	-	9,683
Amortisation	<u>2,537</u>	<u>65</u>	<u>8,056</u>	-	<u>10,658</u>	<u>25</u>	-	-	<u>25</u>
December 31, 2015	70,729	35,465	40,280	-	146,474	9,708	-	-	9,708
Amortisation	<u>2,947</u>	<u>322</u>	<u>8,056</u>	-	<u>11,325</u>	<u>515</u>	-	-	<u>515</u>
December 31, 2016	<u>73,676</u>	<u>35,787</u>	<u>48,336</u>	-	<u>157,799</u>	<u>10,223</u>	-	-	<u>10,223</u>
<b>Carrying values</b>									
December 31, 2016	<u>13,105</u>	<u>410,425</u>	<u>32,222</u>	<u>189,953</u>	<u>645,705</u>	<u>3,426</u>	-	<u>189,953</u>	<u>193,379</u>
December 31, 2015	<u>3,670</u>	<u>408,878</u>	<u>40,278</u>	<u>189,953</u>	<u>642,779</u>	-	-	<u>189,953</u>	<u>189,953</u>

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

6. Goodwill and intangible assets (continued)

## (a) Licences

Licences with indefinite useful lives relate to certain VLT gaming lounge operations and are assessed for impairment annually. Management has determined that the carrying value of licences with an indefinite useful life at December 31, 2016, is not impaired. The impairment test is 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:

	<u>The Group</u>	
	<u>2016</u>	<u>2015</u>
Pre-tax discount rate	22.5%	22.9%
Terminal value growth rate	4.0%	4.0%
Budgeted EBITDA growth rate	<u>5.0%</u>	<u>4.0%</u>

## (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 25).

## (d) Goodwill

	<u>The Group and the Company</u>	
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Goodwill	<u>189,953</u>	<u>189,953</u>

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, 2016 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.

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

6. Goodwill and intangible assets (continued)

## (d) Goodwill (continued)

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

	<u>The Group and the Company</u>	
	<u>2016</u>	<u>2015</u>
Pre-tax discount rate	21.8%	22.6%
Terminal value growth rate	2.0%	5.0%
Budgeted EBITDA growth rate	<u>2.0%</u>	<u>5.0%</u>

7. Investment in subsidiaries

	<u>The Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
Prime Sports (Jamaica) Limited	1,938,651	1,938,651
Supreme Ventures Racing and Entertainment Limited	150,000	-
Big 'A' Track 2003 Limited	5,760	5,760
Transtel Jamaica Limited	<u>1</u>	<u>1</u>
	<u>2,094,412</u>	<u>1,944,412</u>

8. Long-term receivables

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>2015</u> \$'000
(a) Radio Jamaica Limited	18,806	38,179	-	-
(b) ICE Jamaica Limited	523,335	553,601	523,335	553,601
(c) Island Holdings Limited				
US\$291,750 (2015: US\$300,000)	<u>32,536</u>	<u>30,600</u>	<u>-</u>	<u>-</u>
	574,677	622,380	523,335	553,601
Less: Current portion (note 14)	<u>( 52,648)</u>	<u>( 71,406)</u>	<u>( 32,614)</u>	<u>( 50,956)</u>
	<u>522,029</u>	<u>550,974</u>	<u>490,721</u>	<u>502,645</u>

## (a) Radio Jamaica Limited

This represents the balance on a credit facility provided by Prime Sports (Jamaica) Limited to Radio Jamaica Limited to establish, equip and commission a television broadcasting studio to air live television broadcasts of lottery drawings. The facility which bears interest of 6% per annum on a reducing balance basis, is repayable by forty-eight (48) consecutive monthly principal and interest payments of \$1,761,377. The final payment is due by November 30, 2017.



SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

8. Long-term receivables (continued)

## (b) ICE Jamaica Limited

On December 10, 2014, the Board of Directors approved a funding facility to a total amount of the Jamaica dollar equivalent of US\$5 million to ICE Jamaica Limited, a company with whom Prime Sports (Jamaica) Limited (PSJL) is partnering to develop a VLT “route” gaming infrastructure. The arrangement provides that Zodiac International Investments and Holdings Limited (Zodiac), a company incorporated in Trinidad & Tobago, and the indirect owner of 24.95% of the issued stock units of Supreme Ventures Limited (Supreme) through Intralot Caribbean Ventures Limited (Intralot), serves as principal debtor by means of a charge over its shareholding in Intralot. Repayments are being effected by applying 15% of the quarterly dividends due to Intralot from Supreme, as and when paid. Repayment has been facilitated by irrevocable undertakings issued by Zodiac to Intralot and, in turn, from Intralot to Supreme. Outstanding amounts under the facility attract interest at 8% per annum, payable quarterly. The balance is being serviced in accordance with the arrangement and management expects the balance to be repaid in full.

## (c) 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 \$4.8 million (2015: \$5.3 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 5).

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

9. Available-for-sale investments

	<u>The Group and the Company</u>	
	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Quoted investment:		
At beginning of year	3,480	3,480
Fair value gain	<u>3,480</u>	<u>-</u>
At end of year	6,960	3,480
Unquoted investment	<u>1,883</u>	<u>1,883</u>
	<u>8,843</u>	<u>5,363</u>

10. Other investment

This represents cash invested by the Group to fund prize liabilities associated with the PayDay game [note 20(b)]. 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 \$20,621,000 (2015: \$Nil).

11. Deferred taxation

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Deferred tax assets	<u>117,445</u>	<u>137,882</u>	<u>2,185</u>	<u>3,367</u>

Deferred taxation is attributable to the following:

## (a) Group

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Property and equipment	37,158	25,099
Investment properties	16,281	36,677
Intangible assets	( 7,751)	( 8,669)
Trade and other receivables	134	( 3,922)
Trade and other payables	954	900
Tax losses	71,456	86,993
Other	( 787)	<u>804</u>
Net asset	<u>117,445</u>	<u>137,882</u>

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

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Deferred tax assets in Company	2,185	3,367
Deferred tax assets in subsidiaries	<u>115,260</u>	<u>134,515</u>
Deferred tax assets	<u>117,445</u>	<u>137,882</u>

SUPREME VENTURES LIMITEDNotes to the Financial Statements (Continued)  
December 31, 201611. Deferred taxation (continued)

## (a) Group (continued)

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

	<u>2016</u>		
	<u>Balance at January 1</u> \$'000	<u>Recognised in profit/loss</u> \$'000 [note 30(a)]	<u>Balance at December 31</u> \$'000
Property and equipment	25,099	12,059	37,158
Investment properties	36,677	(20,396)	16,281
Intangible assets	( 8,669)	918	( 7,751)
Trade and other receivables	( 3,922)	4,056	134
Trade and other payables	900	54	954
Tax losses	86,993	(15,537)	71,456
Other	<u>804</u>	<u>( 1,591)</u>	<u>( 787)</u>
	<u>137,882</u>	<u>(20,437)</u>	<u>117,445</u>

	<u>2015</u>		
	<u>Balance at January 1</u> \$'000	<u>Recognised in profit/loss</u> \$'000 [note 30(a)]	<u>Balance at December 31</u> \$'000
Property and equipment	( 521)	25,620	25,099
Investment properties	-	36,677	36,677
Intangible assets	( 12,084)	3,415	( 8,669)
Trade and other receivables	( 4,100)	178	( 3,922)
Trade and other payables	1,116	( 216)	900
Tax losses	106,712	(19,719)	86,993
Other	<u>( 1,071)</u>	<u>1,875</u>	<u>804</u>
	<u>90,052</u>	<u>47,830</u>	<u>137,882</u>

## (b) Company

	<u>2016</u> \$'000	<u>2015</u> \$'000
Property and equipment	3,198	4,324
Trade and other receivables	(1,151)	(1,455)
Trade and other payables	117	498
Other	<u>21</u>	<u>-</u>
Net asset	<u>2,185</u>	<u>3,367</u>

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

11. Deferred taxation (continued)

## (b) Company (continued)

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

	<u>2016</u>		
	<u>Balance at January 1</u> \$'000	<u>Recognised in profit/loss</u> \$'000 [note 30(a)]	<u>Balance at December 31</u> \$'000
Property and equipment	4,324	(1,126)	3,198
Trade and other receivables	(1,455)	304	(1,151)
Trade and other payables	498	( 381)	117
Other	<u>-</u>	<u>21</u>	<u>21</u>
	<u>3,367</u>	<u>(1,182)</u>	<u>2,185</u>

	<u>2015</u>		
	<u>Balance at January 1</u> \$'000	<u>Recognised in profit/loss</u> \$'000 [note 30(a)]	<u>Balance at December 31</u> \$'000
Property and equipment	2,110	2,214	4,324
Trade and other receivables	(4,100)	2,645	(1,455)
Trade and other payables	611	( 113)	498
Other	<u>( 939)</u>	<u>939</u>	<u>-</u>
	<u>(2,318)</u>	<u>5,685</u>	<u>3,367</u>

12. Inventories

	<u>The Group</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
Pin codes	190,459	148,563
Food and beverage	<u>2,142</u>	<u>850</u>
	<u>192,601</u>	<u>149,413</u>

The cost of inventories recognised as direct expense during the year for the Group was \$7.9 billion (2015: \$6.26 billion) and \$Nil (2015: \$2.2 million) for the Company.

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

13. Due from/(to) subsidiaries

		<u>The Company</u>	
		<u>2016</u>	<u>2015</u>
		\$'000	\$'000
(a)	Due from subsidiaries:		
	Prime Sports (Jamaica) Limited	160,307	151,450
	Big 'A' Track 2003 Limited	1,465	75,725
	Bingo Investments Limited	<u>127</u>	<u>-</u>
		<u>161,899</u>	<u>227,175</u>
(b)	Due to subsidiary		
	This represents amounts due in respect of unpaid subscription for shares issued in a subsidiary.		

14. Trade and other receivables

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	\$'000	\$'000	\$'000	\$'000
Trade receivables [(a), (b) and (c)]	812,170	675,649	-	-
Less: Allowance for doubtful debts (d)	<u>(390,781)</u>	<u>(344,944)</u>	<u>-</u>	<u>-</u>
	421,389	330,705	-	-
Other receivables and prepayments (e)	385,337	344,946	54,214	108,097
Current portion of long-term receivables (note 8)	52,648	71,406	32,614	50,956
Accrued interest	<u>4,726</u>	<u>5,098</u>	<u>4,603</u>	<u>5,098</u>
	<u>864,100</u>	<u>752,155</u>	<u>91,431</u>	<u>164,151</u>

- (a) Included in trade receivables are amounts of \$788.53 million (2015: \$651.70 million) representing amounts receivable from agents that support lottery and sports betting sales. The average credit period for the receivables is 7 days. Balances outstanding for over 7 days are considered past due.

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

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

14. Trade and other receivables (continued)

- (b) Trade receivables above include amounts (see aged analysis below) that are past due as at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable.

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

- (c) Ageing of trade receivables:

	<u>The Group</u>			
	<u>2016</u>		<u>2015</u>	
	Gross \$'000	Impairment \$'000	Gross \$'000	Impairment \$'000
Up to 30 days	421,772	( 3,287)	328,439	( 27,485)
31 - 60 days	1,893	( 709)	5,816	( 265)
61 - 90 days	2,032	( 312)	8,658	( 5,573)
Over 90 days	<u>386,473</u>	<u>(386,473)</u>	<u>332,736</u>	<u>(311,621)</u>
	<u>812,170</u>	<u>(390,781)</u>	<u>675,649</u>	<u>(344,944)</u>

- (d) Movement in allowance for impairment of trade receivables:

	<u>The Group</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
Balance at beginning of year	344,944	258,517
Impairment losses recognised	70,484	97,331
Impairment losses recovered	( 17,638)	( 10,904)
Written off	( 7,009)	-
Balance at end of year	<u>390,781</u>	<u>344,944</u>

- (e) The Group provides its key management personnel and directors with short-term loans and advances in accordance with its policy on granting loans or making advances to employees of the Company and its principal subsidiary. Included in other receivables are amounts due from related parties totalling \$43.2 million (2015: \$121 million). Of the amounts due from related parties, \$40.2 million (2015: \$92.6 million) is due from directors and the remaining balance is due from key management personnel. Interest is charged on loans and advances to key management personnel and directors at an annual rate of 6.5% (2015: 6.5%).

SUPREME VENTURES LIMITEDNotes to the Financial Statements (Continued)  
December 31, 201615. Cash and cash equivalents

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
(a) Cash in hand and at bank	1,436,358	1,578,343	96,783	84,904
(b) Certificates of deposits	19,552	26,202	7,823	7,635
(c) Resale agreements	<u>43,998</u>	<u>34,504</u>	<u>-</u>	<u>-</u>
	<u>1,499,908</u>	<u>1,639,049</u>	<u>104,606</u>	<u>92,539</u>

(a) Cash in hand and at bank includes restricted balances as follows:

(i) An amount of \$20 million (2015: \$10 million), which is the minimum regulatory requirement to fund the Lucky 5 and Top Draw game, was set aside as 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 \$626 million (2015: \$1.02 billion), which is in excess of the reserve requirement of \$210.18 million (2015: \$438.39 million); and

(iii) An amount of \$5.8 million (2015: \$5.8 million) is restricted to facilitate a guarantee issued in favour of Jamaica Public Service Company Limited for the provision of electricity services.

(b) Certificates of deposits include \$10 million (2015: \$10 million) which was hypothecated as support for a performance bond guarantee to BGLC for certain financial obligations of a subsidiary under the BGLC Act and Regulations. The bond expires in June 2018 [note 38(c)].

(c) As at December 31, 2016, the fair value of the underlying securities of resale agreements amounted to \$52,858,000 (2015: \$80,973,000).

16. Share capital

Authorised:

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

<u>2016</u>	<u>2015</u>
<u>\$'000</u>	<u>\$'000</u>

Stated capital:

2,637,254,926 ordinary stock units, issued and fully paid

<u>1,967,183</u>	<u>1,967,183</u>
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SUPREME VENTURES LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201617. 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.

18. Fair value reserve

This represents the unrealised gain on available-for-sale investments.

19. Retained earnings

This is reflected in the financial statements of:

	<u>2016</u> \$'000	<u>2015</u> \$'000
The Company	961,791	1,090,159
The subsidiaries	<u>805,261</u>	<u>474,209</u>
	<u>1,767,052</u>	<u>1,564,368</u>

20. Long-term payables

	<u>The Group</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
Due to IGT US\$141,435 (2015: US\$Nil) (a)	18,122	-
PayDay prize liability (b)	<u>19,667</u>	<u>-</u>
	37,789	-
Less: Current portion (note 22)	<u>(11,185)</u>	<u>-</u>
	<u>26,604</u>	<u>-</u>

(a) This represents the balance on a loan facility provided by IGT, being the cost of certain VLT equipment acquired during the year (note 4). The loan is interest-free and repayable in twenty-four (24) equal monthly instalments of US\$6,735. The final payment is due on September 30, 2018.

(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, funded as disclosed in note 10. It is stated net of an unamortised discount of \$16 million (2015: \$Nil).

SUPREME VENTURES LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201621. Prize liabilities

	<u>The Group</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
Local lottery games (a)	193,013	190,630
Multi-jurisdictional lottery game (b)	49,753	75,806
Sports betting	<u>73</u>	<u>2,100</u>
	<u>242,839</u>	<u>268,536</u>

- (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 \$63 million (2015: \$70 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). Revenue from ticket sales in Jamaica is recorded as income of the Group. 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 [note 38(d)].

22. Trade and other payables

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>2015</u> \$'000
Trade payables	736,727	698,854	-	-
Service contractor fees (a)	166,256	83,279	-	-
Contributions payable to CHASE Fund	90,136	77,059	-	-
Contributions payable to the BGLC	51,536	45,390	-	-
Government taxes payable	34,040	50,437	-	-
Other payables and accruals	<u>251,405</u>	<u>296,701</u>	<u>116,914</u>	<u>109,062</u>
	1,330,100	1,251,720	116,914	109,062
Current portion of long-term payables (note 20)	<u>11,185</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,341,285</u>	<u>1,251,720</u>	<u>116,914</u>	<u>109,062</u>

- (a) Included in service contractor fees and other payables and accruals, are amounts due to Intralot entities [note 32(c)] totalling \$2.3 million (2015: \$14.2 million).

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2016

23. Revenue

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Cash Pot	24,166,763	24,595,977	-	-
Money Time	4,207,902	4,174,911	-	-
Pick 2	212,215	241,108	-	-
Pick 3	1,913,643	1,885,407	-	-
Pick 4	1,931,488	1,773,811	-	-
Lucky 5	222,830	222,447	-	-
Top Draw	714,850	861,286	-	-
Dollaz!	261,620	331,408	-	-
Lotto	872,886	1,455,641	-	-
Super Lotto	565,599	542,864	-	-
Instant Win	-	2,450	-	-
PayDay (January to November 2016)	108,986	-	-	-
Sports betting	738,631	575,864	-	-
VLТ gaming	339,014	284,531	-	-
Pin codes	8,558,815	6,818,310	-	2,311
Management fees and royalties	-	-	395,000	320,000
Other	<u>106,097</u>	<u>81,005</u>	<u>-</u>	<u>343</u>
	<u>44,921,339</u>	<u>43,847,020</u>	<u>395,000</u>	<u>322,654</u>

24. Direct expenses

(a) Analysis of direct expenses is as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Lottery and sports betting prizes	24,528,672	24,707,619	-	-
Pin codes	7,867,241	6,261,484	-	2,235
Service contractor fees*	2,142,378	2,042,596	-	-
Agents' commissions	2,026,193	2,018,069	-	-
Lottery and gaming taxes	2,308,032	2,416,756	-	-
Good cause fees	1,289,082	1,321,511	-	-
Contributions and levies by BGLC	643,438	658,319	-	-
Other	<u>7,801</u>	<u>3,330</u>	<u>-</u>	<u>-</u>
	<u>40,812,837</u>	<u>39,429,684</u>	<u>-</u>	<u>2,235</u>

\*Service contractor fees include irrecoverable GCT of \$105,685,000 (2015: \$103,003,000).

SUPREME VENTURES LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201624. Direct expenses (continued)

## (b) Lottery and sports betting prizes:

- (i) Cash Pot – All prizes are fixed. The prize won for correctly matching the winning number is \$260 for each \$10 wagered.
- (ii) Money Time – Prizes are based on correctly matching the winning number, however, the prize paid depends on which winning number is drawn.
- (iii) Pick 2, Pick 3 and Pick 4 – Prizes are computed based on the actual winning combination of numbers for each draw.
- (iv) Lucky 5 and Top Draw – Prizes for this game are based on the predetermined prize structure.
- (v) Dollaz! – Prizes for this game are fixed based on each \$10 per play per spot. The prize paid will depend on how many of the winning numbers are correctly matched.
- (vi) Lotto and Super Lotto – Prizes are accrued as an estimate based on a predetermined prize structure for each game.
- (vii) Instant win – Prizes are based on actual amounts stated on winning tickets. This was discontinued during 2015.
- (viii) Sports betting – All prizes are fixed. The prize won is based on the amount wagered multiplied by the odds of the selected event(s) printed on the ticket.
- (ix) PayDay – Prizes for this game were fixed at a monthly annuity of \$150,000 for twenty (20) years.

## (c) Service contractor fees:

## (i) IGT Corporation

IGT Corporation (IGT) has been contracted to provide technical and marketing services for lottery activities. IGT receives a service fee calculated using an agreed fee structure based on weekly gross sales.

## (ii) Intralot

Intralot S.A. (Intralot), through its various affiliates and subsidiaries, provides technical services for sports betting activities to the Group. In prior year, Intralot provided central monitoring services for the Group's Video Lottery Terminals (VLT) business [note 32(b)].

SUPREME VENTURES LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201625. Operating expenses

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	\$'000	\$'000	\$'000	\$'000
Staff costs	689,811	707,145	157,218	176,455
Rental and utilities	237,265	230,333	6,043	8,304
Depreciation and amortisation	235,174	202,054	7,315	5,365
Professional fees	223,813	251,404	177,416	162,213
Marketing and business development	222,478	333,584	5,705	453
Draw expenses	200,181	185,013	-	-
Subscription and donations	172,546	97,416	113,729	68,692
Irrecoverable GCT	141,758	155,466	10,554	46
Security	74,215	78,004	15,545	19,398
Licences and other fees	71,729	61,230	792	627
Local and foreign travel	31,734	60,232	17,089	33,737
Repairs and maintenance	64,465	58,535	374	( 352)
Equipment and motor vehicle	58,460	55,636	1,616	2,835
Player rewards: credits, food and drinks	53,007	50,619	-	-
Bad debts recognised	52,846	86,427	-	-
Directors' fees	48,194	40,550	48,194	40,550
Bank charges	42,400	41,930	1,080	1,596
Internal and external audit services	41,796	44,446	20,781	24,027
Administrative	20,947	16,220	6,711	2,374
Insurance	13,751	13,360	1,010	859
Assets written off and impairment	6,179	180,126	-	-
Others	7,019	21,672	2,144	3,967
	<u>2,709,768</u>	<u>2,971,402</u>	<u>593,316</u>	<u>551,146</u>

26. Net foreign exchange gains/(losses)

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	\$'000	\$'000	\$'000	\$'000
Foreign exchange gains	14,656	16,406	-	1,630
Foreign exchange losses	( 2,668)	( 8,305)	(265)	(2,792)
	<u>11,988</u>	<u>8,101</u>	<u>(265)</u>	<u>(1,162)</u>

27. Finance costs

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	\$'000	\$'000	\$'000	\$'000
Interest on bank loans	-	2,973	-	2,989
Insurance premium financing	<u>323</u>	-	-	-
	<u>323</u>	<u>2,973</u>	<u>-</u>	<u>2,989</u>

SUPREME VENTURES LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201628. Other gains

	<u>The Group</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
Reversal of impairment loss on investment properties (note 5)	102,729	-
IGT reimbursements	82,211	60,551
Other	-	<u>28,679</u>
	<u>184,940</u>	<u>89,230</u>

29. Profit before taxation

(a) Profit before taxation is stated after taking account of the following items:

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>2015</u> \$'000
Expenses				
Directors' emoluments:				
Fees	48,194	40,550	48,194	40,550
Management remuneration	76,091	69,353	76,091	69,353
Audit fees	29,060	27,940	11,600	13,000
Pension contributions	<u>14,282</u>	<u>13,008</u>	<u>480</u>	<u>457</u>

(b) Taxes, licences and other fees (excluding corporate income tax) paid to statutory and regulatory bodies in arriving at profit before taxation are as follows:

	<u>The Group</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
Lottery and gaming taxes	2,308,032	2,416,756
Good cause fees	1,289,082	1,321,511
Contributions and levies by the BGLC	643,438	658,319
Irrecoverable GCT	247,443	258,469
Licences and other fees	71,729	61,230
Payroll taxes – Employer's portion	<u>54,558</u>	<u>60,520</u>
	<u>4,614,282</u>	<u>4,776,805</u>

SUPREME VENTURES LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201630. Taxation

(a) Taxation for the year includes:

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Current taxation:				
Income tax	461,067	492,642	1,185	-
Employment tax credit	( 1,378)	( 20,994)	-	-
Prior year under-provision	<u>3,298</u>	<u>7,262</u>	-	<u>3,727</u>
	<u>462,987</u>	<u>478,910</u>	<u>1,185</u>	<u>3,727</u>
Deferred taxation (note 11):				
Origination and reversal of temporary differences	4,900	( 67,549)	1,182	(5,685)
Tax losses	<u>15,537</u>	<u>19,719</u>	-	-
	<u>20,437</u>	<u>( 47,830)</u>	<u>1,182</u>	<u>(5,685)</u>
Taxation charge	<u>483,424</u>	<u>431,080</u>	<u>2,367</u>	<u>(1,958)</u>

(b) The effective tax rate is 29.09% (2015: 26.70%) of pre-tax profit for the Group and 0.28% (2015: 0.13%) for the Company, compared to the statutory tax rate of 25% (2015: 25%).

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Profit before taxation	<u>1,661,892</u>	<u>1,614,830</u>	<u>849,783</u>	<u>1,456,295</u>
Tax at the domestic income tax rate of:				
25% (2015: 25%)	415,473	403,708	212,446	364,074
Expenses disallowed for tax purposes	56,674	38,898	39,285	26,941
Tax effect on private motor vehicles	( 3,641)	-	( 3,641)	-
Employment tax credit	( 1,378)	( 20,994)	-	-
Non-taxable income	-	( 13,319)	(250,000)	( 409,552)
Prior year under-provision	3,298	7,262	-	3,727
Net other credits and allowances	12,990	8,495	4,277	5,843
Tax losses not recognised	<u>8</u>	<u>7,030</u>	-	<u>7,009</u>
	<u>483,424</u>	<u>431,080</u>	<u>2,367</u>	<u>(1,958)</u>

(c) Tax losses of subsidiaries amounting to \$286 million (2015: \$348 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.

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2016

31. 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.

	<u>2016</u> \$'000	<u>2015</u> \$'000
Profit attributable to stockholders	<u>1,178,468</u>	<u>1,183,750</u>
Weighted average number of ordinary stock units in issue ('000)	<u>2,637,255</u>	<u>2,637,255</u>
	<u>2016</u> Cents	<u>2015</u> Cents
Basic earnings per share	<u>44.69</u>	<u>44.89</u>

32. Related party balances and transactions

## (a) 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.

## (b) Trading transactions with related parties

Prime Sports (Jamaica) Limited is provided with technical services by a related entity, Intralot S.A., its affiliates and subsidiaries. Intralot receives a fee based on a daily rate for the use of its central monitoring systems and agreed percentages of net revenues for its other services [note 24(c)(ii)].

The fees for services rendered are as follows:

	<u>2016</u> \$'000	<u>2015</u> \$'000
Sports betting activities	45,430	48,620
Lease of central monitoring system	<u>-</u>	<u>1,030</u>
	<u>45,430</u>	<u>49,650</u>

## (c) Balances with subsidiaries

Notes 8, 13, 14 and 22 to the financial statements include required disclosures in respect of balances with subsidiaries and related parties.



SUPREME VENTURES LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201632. 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:

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Short-term benefits	233,397	305,860	120,351	174,315
Post-employment benefits	<u>2,364</u>	<u>2,479</u>	<u>-</u>	<u>-</u>
	<u>235,761</u>	<u>308,339</u>	<u>120,351</u>	<u>174,315</u>

(e) Professional fees paid to directors for services rendered during the year aggregated \$97.13 million (2015: \$128.33 million) for the Group and the Company.

## (f) Provisions or write-offs

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

33. Segment reporting

	2016						
	<u>Lottery</u>	<u>Gaming and</u>	<u>Sports</u>	<u>Pin codes</u>	<u>Other</u>	<u>Unallocated</u>	<u>Group</u>
	<u>\$'000</u>	<u>hospitality</u>	<u>betting</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
		<u>\$'000</u>	<u>\$'000</u>				
<b>External revenue, being total revenue</b>	<u>35,178,782</u>	<u>347,275</u>	<u>738,631</u>	<u>8,558,815</u>	<u>83,087</u>	<u>14,749</u>	<u>44,921,339</u>
<b>Result</b>							
Segment result	1,503,806	( 29,563)	(172,439)	104,998	83,087	( 91,155)	1,398,734
Interest income							66,553
Net foreign exchange gains							11,988
Finance costs							( 323)
Other gains							<u>184,940</u>
Profit before taxation							1,661,892
Taxation							( 483,424)
<b>Profit for the year</b>							<u>1,178,468</u>
<b>Other information</b>							
Capital expenditure	<u>78,355</u>	<u>54,605</u>	<u>11,852</u>	<u>-</u>	<u>-</u>	<u>38,474</u>	<u>183,286</u>
Depreciation, amortisation and write-offs	<u>42,124</u>	<u>74,666</u>	<u>18,929</u>	<u>-</u>	<u>-</u>	<u>105,634</u>	<u>241,353</u>
Segment assets	<u>1,778,985</u>	<u>676,153</u>	<u>237,099</u>	<u>728,784</u>	<u>-</u>	<u>2,012,329</u>	<u>5,433,350</u>
Segment liabilities	<u>761,206</u>	<u>25,640</u>	<u>13,710</u>	<u>704,493</u>	<u>-</u>	<u>128,100</u>	<u>1,633,149</u>

SUPREME VENTURES LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201633. Segment reporting (continued)

	2015						
	Lottery \$'000	Gaming and hospitality \$'000	Sports betting \$'000	Pin codes \$'000	Other \$'000	Unallocated \$'000	Group \$'000
<b>External revenue, being total revenue</b>	<u>36,087,310</u>	<u>286,434</u>	<u>575,864</u>	<u>6,818,310</u>	<u>79,102</u>	<u>-</u>	<u>43,847,020</u>
<b>Result</b>							
Segment result	1,832,177	(148,235)	(211,661)	111,319	79,102	( 227,672)	1,435,030
Interest income							74,538
Net foreign exchange gains							8,101
Finance costs							( 2,973)
Other gains							<u>100,134</u>
Profit before taxation							1,614,830
Taxation							( 431,080)
<b>Profit for the year</b>							<u>1,183,750</u>
<b>Other information</b>							
Capital expenditure	<u>41,910</u>	<u>68,681</u>	<u>23,124</u>	<u>-</u>	<u>-</u>	<u>2,726</u>	<u>136,441</u>
Depreciation, amortisation and write-offs	<u>38,954</u>	<u>46,947</u>	<u>19,929</u>	<u>-</u>	<u>-</u>	<u>276,350</u>	<u>382,180</u>
Segment assets	<u>1,965,793</u>	<u>529,765</u>	<u>183,794</u>	<u>424,125</u>	<u>-</u>	<u>2,295,436</u>	<u>5,398,913</u>
Segment liabilities	<u>611,641</u>	<u>47,729</u>	<u>25,129</u>	<u>693,246</u>	<u>-</u>	<u>427,131</u>	<u>1,804,876</u>

34. Operating lease arrangements

## (a) As lessor (note 5)

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

	The Group	
	<u>2016</u> US\$'000	<u>2015</u> US\$'000
Within 1 year	149	113
Between one and five years	748	718
More than five years	<u>1,793</u>	<u>2,052</u>
	<u>2,690</u>	<u>2,883</u>

During the year, minimum lease income of US\$117,854 (2015: US\$82,370) was recognised.

SUPREME VENTURES LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201634. 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 lease rental commitments are as follows:

	<u>The Group</u>	
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Within 1 year	38,391	46,701
Years 2 - 5	70,578	77,503
Over 5 years	<u>16,613</u>	<u>-</u>
	<u>125,582</u>	<u>124,204</u>

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

	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Lease expense	122,859	107,598
Sub-lease income	<u>( 23,020)</u>	<u>( 14,383)</u>
	<u>99,839</u>	<u>93,215</u>

35. Distributions

## (a) Paid

	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Final dividend for 2014 paid March 20, 2015	-	210,980
Special dividend for 2014 paid March 20, 2015	-	501,079
Special dividend for 2014 paid May 27, 2015	-	105,490
First interim dividend paid May 27, 2015	-	369,216
Second interim dividend paid September 3, 2015	-	263,725
Third interim dividend paid December 3, 2015	-	184,608
Final dividend for 2015 paid March 21, 2016	263,725	-
First interim dividend paid June 3, 2016	237,353	-
Second interim dividend paid September 2, 2016	342,843	-
Third interim dividend paid December 2, 2016	<u>131,863</u>	<u>-</u>
	<u>975,784</u>	<u>1,635,098</u>

## (b) Proposed

At a meeting of the Board of Directors, held on February 23, 2017, the Board resolved to pay a final dividend in respect of 2016 of 9¢ per share amounting to \$237.4 million. Stockholders' equity for the current financial year does not reflect this resolution, which will be accounted for as an appropriation of retained profits in the financial year in which it is declared.

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2016

36. Financial risk management*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, currency risk and price 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.

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2016

36. Financial risk management (continued)*Audit Committee (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.

## (i) Credit review process

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

*Cash and cash equivalents*

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

*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.

## (ii) 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.

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

## (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.

## (i) Management of liquidity risk

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

SUPREME VENTURES LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201636. Financial risk management (continued)

## (b) Liquidity risk (continued)

## (i) Management of liquidity risk (continued)

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.

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.

## (ii) Liquidity and interest rate tables

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

	The Group							Total \$'000	Carrying value \$'000
	2016								
	Weighted average effective interest rate %	Within 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	No specific maturity \$'000			
<b>Financial assets</b>									
Non-interest bearing	-	1,458,954	-	-	-	8,844	1,467,798	1,467,798	
Variable interest rate instruments	4.26%	857,521	1,350	7,200	26,700	-	892,771	851,439	
Fixed interest rate instruments	7.93%	<u>23,284</u>	<u>71,373</u>	<u>296,110</u>	<u>335,223</u>	<u>-</u>	<u>725,990</u>	<u>542,142</u>	
		2,339,759	72,723	303,310	361,923	8,844	3,086,559	2,861,379	
<b>Financial liability</b>									
Non-interest bearing	-	<u>1,390,194</u>	<u>9,138</u>	<u>14,988</u>	<u>26,700</u>	<u>-</u>	<u>1,441,020</u>	<u>1,424,987</u>	
<b>Interest rate sensitivity gap</b>		<u>949,565</u>	<u>63,585</u>	<u>288,322</u>	<u>335,223</u>	<u>8,844</u>	<u>1,645,539</u>	<u>1,436,392</u>	
<b>Cumulative interest rate sensitivity gap</b>		<u>949,565</u>	<u>1,013,150</u>	<u>1,301,472</u>	<u>1,636,695</u>	<u>1,645,539</u>			

SUPREME VENTURES LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201636. Financial risk management (continued)

## (b) Liquidity risk (continued)

## (ii) Liquidity and interest rate tables (continued)

		<u>The Group</u>							
		<u>2015</u>							
	Weighted average effective interest rate %	Within 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	No specific maturity \$'000	Total \$'000	Carrying value \$'000	
<b>Financial assets</b>									
Non-interest bearing	-	1,149,357	-	-	-	5,363	1,154,720	1,154,720	
Variable interest rate instruments	4.81%	1,147,986	-	-	-	-	1,147,986	1,130,138	
Fixed interest rate instruments	7.82%	<u>27,641</u>	<u>87,387</u>	<u>495,926</u>	<u>145,962</u>	-	<u>756,916</u>	<u>610,027</u>	
		2,324,984	87,387	495,926	145,962	5,363	3,059,622	2,894,885	
<b>Financial liability</b>									
Non-interest bearing	-	<u>1,106,223</u>	-	-	-	-	<u>1,106,223</u>	<u>1,106,223</u>	
<b>Interest rate</b>									
<b>sensitivity gap</b>		<u>1,218,761</u>	<u>87,387</u>	<u>495,926</u>	<u>145,962</u>	<u>5,363</u>	<u>1,953,399</u>	<u>1,788,662</u>	
<b>Cumulative interest rate sensitivity gap</b>		<u>1,218,761</u>	<u>1,306,148</u>	<u>1,802,074</u>	<u>1,948,036</u>	<u>1,953,399</u>			
		<u>The Company</u>							
		<u>2016</u>							
	Weighted average effective interest rate %	1 to 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	No specific maturity \$'000	Total \$'000	Carrying value \$'000	
<b>Financial assets</b>									
Non-interest bearing	-	294,557	-	-	-	1,953,254	2,247,811	2,247,811	
Variable interest rate instruments	1.49%	24,583	-	-	-	-	24,583	24,493	
Fixed interest rate instruments	8.00%	<u>18,000</u>	<u>55,521</u>	<u>296,110</u>	<u>335,223</u>	-	<u>704,854</u>	<u>523,335</u>	
		337,140	55,521	296,110	335,223	1,953,254	2,977,248	2,795,639	
<b>Financial liability</b>									
Non-interest bearing	-	<u>116,914</u>	-	-	-	-	<u>116,914</u>	<u>116,914</u>	
<b>Interest rate</b>									
<b>sensitivity gap</b>		<u>220,226</u>	<u>55,521</u>	<u>296,110</u>	<u>335,223</u>	<u>1,953,254</u>	<u>2,860,334</u>	<u>2,678,725</u>	
<b>Cumulative interest rate sensitivity gap</b>		<u>220,226</u>	<u>275,747</u>	<u>571,857</u>	<u>907,080</u>	<u>2,860,334</u>			

SUPREME VENTURES LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201636. Financial risk management (continued)

## (b) Liquidity risk (continued)

## (ii) Liquidity and interest rate tables (continued)

	The Company							Carrying value \$'000
	2015							
	Weighted average effective interest rate %	1 to 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	No specific maturity \$'000	Total \$'000	
<b>Financial assets</b>								
Non-interest bearing	-	408,639	-	-	-	1,903,696	2,312,335	2,312,335
Variable interest rate instruments	0.06%	12,218	-	-	-	-	12,218	12,133
Fixed interest rate Instruments	8.00%	<u>22,357</u>	<u>71,535</u>	<u>476,551</u>	<u>145,962</u>	<u>-</u>	<u>716,405</u>	<u>553,601</u>
		443,214	71,535	476,551	145,962	1,903,696	3,040,958	2,878,069
<b>Financial liability</b>								
Non-interest bearing	-	<u>107,070</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,070</u>	<u>107,070</u>
<b>Interest rate sensitivity gap</b>		<u>336,144</u>	<u>71,535</u>	<u>476,551</u>	<u>145,962</u>	<u>1,903,696</u>	<u>2,933,888</u>	<u>2,770,999</u>
<b>Cumulative interest rate sensitivity gap</b>		<u>336,144</u>	<u>407,679</u>	<u>884,230</u>	<u>1,030,192</u>	<u>2,933,888</u>		

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.

## (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.



SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2016

36. Financial risk management (continued)

## (c) Market risk (continued)

## (i) Foreign currency risk (continued)

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.

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

	<u>The Group</u>	
	<u>2016</u>	<u>2015</u>
	USD	USD
	'000	'000
Assets		
Cash and cash equivalents	1,357	1,179
Trade and other receivables	<u>323</u>	<u>82</u>
	<u>1,680</u>	<u>1,261</u>
Liabilities		
Trade and other payables	( 141)	( 279)
Long-term payables	<u>( 141)</u>	<u>-</u>
	<u>( 282)</u>	<u>( 279)</u>
Net exposure	<u>1,398</u>	<u>982</u>
	<u>The Company</u>	
	<u>2016</u>	<u>2015</u>
	USD	USD
	'000	'000
Asset		
Cash and cash equivalents	68	38
Liability		
Trade and other payables	<u>(135)</u>	<u>(238)</u>
Net exposure	<u>( 67)</u>	<u>(200)</u>

The Group:

The Group's sensitivity to a 1% revaluation or 6% devaluation (2015: 1% revaluation or 8% 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 1% increase or 6% decrease (2015: 1% increase or 8% decrease) in the foreign exchange rates.

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2016

36. Financial risk management (continued)

## (c) Market risk (continued)

## (i) Foreign currency risk (continued)

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:

	<u>2016</u>		<u>2015</u>	
	<u>Devaluation</u>	<u>Revaluation</u>	<u>Devaluation</u>	<u>Revaluation</u>
	6%	1%	8%	1%
	\$'000	\$'000	\$'000	\$'000
USD	<u>10,695</u>	<u>1,782</u>	<u>15,168</u>	<u>(1,896)</u>

The Company:

	<u>2016</u>		<u>2015</u>	
	<u>Devaluation</u>	<u>Revaluation</u>	<u>Devaluation</u>	<u>Revaluation</u>
	6%	1%	8%	1%
	\$'000	\$'000	\$'000	\$'000
USD	<u>(4)</u>	<u>1</u>	<u>(16)</u>	<u>2</u>

## (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.

*Management of interest rate risk*

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

The Group's and the Company's exposure to interest rates on financial assets and financial liabilities are detailed in liquidity risk management.

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2016

36. Financial risk management (continued)

## (c) Market risk (continued)

## (ii) Interest rate risk (continued)

*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.

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:

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	\$'000	\$'000	\$'000	\$'000
Effect of increase of 100 basis points (2015: 100 basis points) on profit	8,514	31,729	245	28,781
Effect of decrease of 100 basis points (2015: 150 basis points) on profit	<u>(8,514)</u>	<u>(47,593)</u>	<u>(245)</u>	<u>(43,171)</u>

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

## (iii) Equity risk

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

*Management of equity risk*

Management sets limits on the level of exposure, and diversification is a key strategy employed to reduce the impact on the portfolio, which may result from the non-performance of a specific class of assets. Given the potential volatility in the value of equities and the non-interest bearing characteristics of these instruments, limits are set by the Board of Directors on amounts to be invested in them.

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2016

36. Financial risk management (continued)

## (c) Market risk (continued)

## (iii) Equity risk (continued)

*Equity price sensitivity analysis*

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

If equity prices had been 10% higher/lower (2015: 20% higher/lower), profit for the year ended December 31, 2016, would have increased/decreased by \$0.696 million (2015: \$0.696 million) for the Group and the Company.

## (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.

37. Fair values

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, long-term payable 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.
- (iii) Quoted shares classified as available-for-sale are measured at fair value by reference to quoted market prices. Unquoted shares are stated at cost less impairment adjustments. The fair value of quoted shares is as disclosed in note 9.

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2016

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 is expected that the Court will give its decision by April 30, 2017. The attorneys representing the Company expect to succeed and that the appeal will not result in a financial liability to the Company.

*Talisman Capital Alternative Investment Fund and EGE Limited:*

In August 2012, a civil suit was filed in the Courts of Florida, USA, by Talisman Capital Alternative Investment Fund and EGE Limited citing as defendants the Company and certain of its stockholders. This suit is in respect of most of the same issues decided in the Supreme Court in Jamaica in favour of the Company and some of its stockholders (see above).

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

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

## (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 less 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.

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

38. Contingencies and commitments (continued)

## (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 \$10 million. Under the said performance bond covering the period June 26, 2015 to June 25, 2018, 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 \$10 million. The bank guarantee is secured by a hypothecated term deposit in the amount of \$10 million [note 15(b)].

## (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 \$45.8 million (2015: \$45.8 million) fall due for payment each year.

## (f) Capital commitments

	<u>The Group</u>	
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Machinery and equipment	<u>78,225</u>	<u>11,902</u>

## (g) Sponsorship commitments

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

	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
2016	-	82,425
2017	<u>56,400</u>	-
	<u>56,400</u>	<u>82,425</u>

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

38. Contingencies and commitments (continued)

## (h) Loan Commitment

In December 2016, the Company obtained a credit facility totalling \$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 9% per annum, for five (5) years. At the end of the reporting period, no amounts have yet been drawn-down on the loan facility.

39. Subsequent event

Further to the Company's selection by the Government of Jamaica, in April 2016, as the preferred bidder for the acquisition of the horse-racing and simulcast horse-racing promotion, and pari-mutuel pool operations of Caymanas Track Limited (CTL), the Company signed an agreement on February 10, 2017, to acquire CTL's operations, which provides for:

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

The expected commencement date of the acquisition and the lease is March 7, 2017.

During the year, the Company formed a wholly-owned subsidiary, Supreme Ventures Racing and Entertainment Limited (note 1), to manage its proposed Caymanas operations. The acquisition will be funded by a loan facility [note 38(h)].

40. Significant accounting policies

Certain amended standards came into effect during the current financial year. The Group has assessed them and has adopted those which are relevant to its financial statements:

- IAS 1, *Presentation of Financial Statements* has been amended to clarify or state the following:
  - Specific single disclosures that are not material do not have to be presented even if they are the minimum requirements of a standard.
  - The order of notes to the financial statements is not prescribed.
  - Line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material.

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

40. Significant accounting policies (continued)

- IAS 1, *Presentation of Financial Statements* (continued):
  - Specific criteria are now provided for presenting sub-totals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI.
  - The presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never be, reclassified to profit or loss.
- IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation*, are amended as follows:
  - The amendment to IAS 16, *Property, Plant and Equipment* explicitly states that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.
  - The amendment to IAS 38, *Intangible Assets* introduces a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.
- Amendments to IAS 27, *Equity Method in Separate Financial Statements* allow the use of the equity method in separate financial statements, and apply to the accounting for subsidiaries, associates, and joint ventures.
- Amendments to IFRS 10, *Consolidated Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures*, in respect of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* require that when a parent loses control of a subsidiary in a transaction with an associate or joint venture, the full gain be recognised when the *assets* transferred meet the definition of a ‘business’ under IFRS 3, *Business Combinations*.
- IFRS 7, *Financial Instruments: Disclosures*, has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognised in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset -e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered ‘continuing involvement’.

IFRS 7 has also been amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities* (Amendment to IFRS 7) are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of IAS 34, *Interim Financial Reporting*, require their inclusion.



SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

40. Significant accounting policies (continued)

- *Improvements* to IFRS 2012-2014 cycle contain amendments to certain standards and interpretations applicable to the Group as follows: (continued)
  - IAS 34, *Interim Financial Reporting*, has been amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed “elsewhere in the interim financial report”. The interim financial report is incomplete if the interim financial statements and any disclosures incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.

The adoption of these amendments did not result in any change to the amounts recognised, presented and disclosed in the financial statements.

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

<u>Page</u>	
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SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

40. Significant accounting policies (continued)

## (a) Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the Company and its subsidiaries presented as a single economic entity.

Subsidiaries are those entities controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The company and its subsidiaries are collectively referred to as “Group”.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries are consistent with those of the Group.

The Group uses the acquisition method of accounting for business combinations. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of revenue and expenses.

## (b) 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.

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

40. Significant accounting policies (continued)

## (b) Segment reporting (continued)

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 international sporting events offered through the agents' network.                   |
| (iv)  | Pin codes              | - | Sale of pin codes through the agents' network.   |
| (v)   | Other                  | - | All other income.  |

## (c) Property and equipment

## (i) Owned assets

Freehold land, art and paintings are measured at historical cost. All other property and equipment are stated at cost, less accumulated depreciation and impairment losses [note 40(f)]. Cost includes expenditures that are directly attributable to the acquisition of the assets.

The cost of self-constructed assets includes the cost of materials and direct labour, plus related borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied with the part will flow to the Group and its costs can be measured reliably. The costs of day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

## (ii) Depreciation

Property and equipment, with the exception of freehold land, art and paintings on which no depreciation is provided, are depreciated on the straight-line basis at annual rates estimated to write down the assets to their residual values over their expected useful lives.

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

40. Significant accounting policies (continued)

## (c) Property and equipment (continued)

## (ii) Depreciation (continued)

The useful lives are 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

The depreciation methods, useful lives and residual values are reassessed at each reporting date.

## (d) Investment properties

Investment properties, comprising freehold land and buildings, are held for long-term rental yields, are not occupied by the Group and are carried at cost less accumulated depreciation and impairment losses. Land is not depreciated. Freehold buildings are depreciated on the straight line basis over their expected useful lives of 20 years.

## (e) Goodwill and intangible assets

## (i) Goodwill

Goodwill represents amounts arising on acquisition of subsidiaries and other business ventures. It comprises the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired.

Goodwill is stated at cost, less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. Negative goodwill arising on acquisition is recognised directly in profit or loss.

## (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

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

40. Significant accounting policies (continued)

## (e) Goodwill and intangible assets (continued)

## (ii) Trademarks and licences (continued)

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.

## (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

Goodwill and intangible assets are derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from the derecognition of goodwill and 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.

## (f) Impairment of non-financial assets

The carrying amounts of non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of other assets in the unit on a pro rata basis. Impairment losses are recognised in profit or loss.

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

40. Significant accounting policies (continued)

## (f) Impairment of non-financial assets (continued)

## (i) Calculation of recoverable amount

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

## (ii) Reversals of impairment

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## (g) Financial instruments

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

## (i) Classification of financial instruments

The Group classifies non-derivative financial assets into the following categories: *loans and receivables* and *available-for-sale*. Management determines the appropriate classification of investments at the time of purchase.

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

## (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 and equity securities on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

40. Significant accounting policies (continued)

## (g) Financial instruments (continued)

## (ii) Recognition and derecognition (continued)

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.

## (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.

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

40. Significant accounting policies (continued)

## (g) Financial instruments (continued)

## (iii) Measurement (continued)

*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.

*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.

## (iv) Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original interest rate. Receivables with a short duration are not discounted.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.



SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

40. Significant accounting policies (continued)

## (h) 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.

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

40. Significant accounting policies (continued)

## (h) Fair value measurement (continued)

- 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.

## (i) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

Current income tax is the expected tax payable on the income for the year, using tax rates enacted at the reporting date, and any adjustment to income tax in respect of previous years.

Deferred income tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be realised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

40. Significant accounting policies (continued)

## (j) 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, with the majority 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.

## (k) Revenue

## (i) Lottery

*Ticket sales* - lottery games are sold to players by contracted retail agents. Revenue is recognised when tickets are sold.

*Unclaimed prizes* – in keeping with 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 may be paid provided payment is made within 180 days of the draw, after which prizes may be paid only with written approval of the BGLC. Fifty percent (50%) of unclaimed prizes (net of taxes where applicable) is paid over to the CHASE Fund and the remaining fifty percent (50%) paid to the BGLC.

## (ii) VLT gaming

Revenue 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

Revenue represents the gross sales of the bets taken on international sporting events at all branches and agents, net of refunds. Revenue is recognised when wagers are placed by players evidenced by ticket sales.

## (iv) Pin codes

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

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

40. Significant accounting policies (continued)

## (k) Revenue (continued)

## (vi) Management fees

The Company 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.

## (l) Employee benefit costs

(i) The Company is the sponsoring employer of a Group 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.

## (m) Finance costs

Finance costs are recognised using the effective interest method in profit or loss.

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

40. Significant accounting policies (continued)

## (n) Leases

## (i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease. At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

## (ii) 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.

## (iii) 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.

## (o) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24, *Related Party Disclosures* as the "reporting entity" in this case, the Group).

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

40. Significant accounting policies (continued)

## (o) Related parties (continued)

A party is related to the reporting entity if:

- (i) A person or a close member of that person's family is related to a reporting entity if that person:
  - (a) has control or joint control over the reporting entity;
  - (b) has significant influence over the reporting entity; or
  - (c) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (ii) An entity is related to a reporting entity if any of the following conditions applies:
  - (a) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (c) Both entities are joint ventures of the same third party.
  - (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (e) The entity is a post-employment benefit plan established for the benefit of employees of either the reporting entity or an entity related to the reporting entity.
  - (f) The entity is controlled, or jointly controlled, by a person identified in (i).
  - (g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (h) The entity, or any member of a group of which it is part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

40. Significant accounting policies (continued)

## (p) Foreign currencies

In preparing the financial statements of the Group, transactions in currencies other than the Group's functional currency, the Jamaica dollar, are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at that date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

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

## (q) Share capital

## (i) Classification

Ordinary stock units are classified as equity when there is no obligation to transfer cash or other assets.

## (ii) Share issue costs

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.

## (r) Dividends

Dividends are recorded in the financial statements in the period in which they are declared.

41. Standards issued but not yet effective

Certain new and amended standards have been issued which are not yet effective for the current year and which the Group has not early-adopted. The Group has assessed the relevance of all such new standards and amendments to standards with respect to the Group's operations and has determined that the following are likely to have an effect on the financial statements.

- Amendments to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

The Group is assessing the impact that this amendment will have on its 2017 financial statements.

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

41. Standards issued but not yet effective (continued)

- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:
  - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
  - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
  - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.
  - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
  - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

The Group is assessing the impact that this amendment will have on its 2017 financial statements.

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

The Group is assessing the impact that this amendment will have on its 2018 financial statements.



SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

41. Standards issued but not yet effective (continued)

- IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2018, replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31 *Revenue, Barter Transactions Involving Advertising Services*. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two entities in the same line of business exchange non-monetary assets to facilitate sales to other parties.

The Group will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Group is assessing the impact that this amendment will have on its 2018 financial statements.

- Amendments to IAS 40, *Investments property*, effective for accounting periods beginning on or after January 1, 2018, required an entity to transfer to property to, or from, investment property when and only when, there is evidence of a change in use. A change of use occurs, if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

The Group is assessing the impact that this amendment will have on its 2018 financial statements.

- IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with a value of US\$5,000 or less.

SUPREME VENTURES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2016

41. Standards issued but not yet effective (continued)

- IFRS 16, *Leases* (continued)

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers*, is also adopted.

The Group is assessing the impact that this amendment will have on its 2019 financial statements.