



ANNUAL REPORT 2016-2017

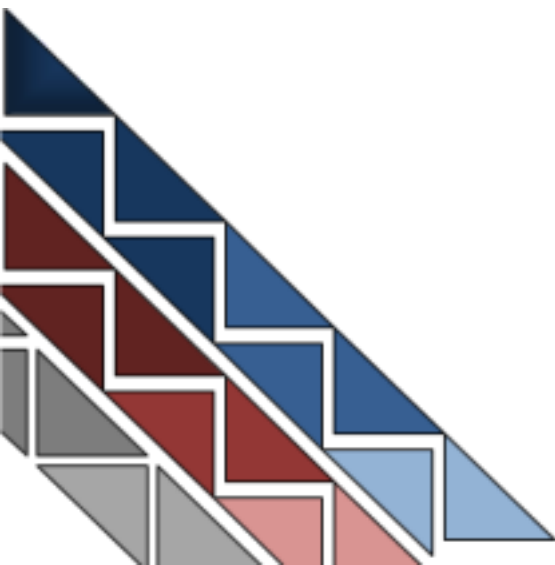
JAMAICA RACING COMMISSION
Regulating with fairness and transparency



Our Mission

To regulate and build a strong and credible horse racing

industry which ensures honesty and integrity through the promulgation of rules to
govern the conduct of licensed personnel,
promoters and race meetings,
thereby protecting the
interest of the racing public.



**ANNUAL REPORT
2016-2017**

TO: The Honourable Nigel Clarke DPhil., M.P.
Minister of Finance and the Public Service
Ministry of Finance and the Public Service 30
National Heroes Circle
Kingston 4

This report summarises, in terms of Section 12 of the Jamaica Racing Commission Act, the activities of the Jamaica Racing Commission (JRC) in the Financial Year 2016-2017, in fulfilling the regulatory, financial, judicial and administrative functions assigned by the Act.

The report also presents the audited Financial Statements of the Commission and data indicating performances and trends in the horse racing industry.

**THE JAMAICA RACING COMMISSION ACT (ACT 3 OF
1972 AMENDED BY ACT 4 OF 1979)**

The Jamaica Racing Commission was established under the Jamaica Racing Commission Act, 1972:

- to regulate and control horse racing and the operation of racecourses in the island;
- to grant such licences and permits as may be required by virtue of the provisions of the Act;
- to recommend to the Minister the method of utilising sums, under the Betting, Gaming and Lotteries Act, for assistance to breeders of horses and horse racing generally;
- to introduce and implement, or to assist in or undertake the implementation of any scheme for the development of the horse racing industry.

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CHAIRMAN'S STATEMENT 2016/2017

The Jamaica Racing Commission concentrated its efforts on effectuating the merging of the JRC with the Betting Gaming and Lotteries Commission (BG&LC). Cabinet by decision dated 17 December 2012 approved the merger of the Jamaica Racing Commission and the Betting Gaming and Lotteries Commission under the Public Sector Master Rationalisation Plan.

The Merger Committee consists of:

- Chairman: JRC
- Chairman: BGLC
- Executive Director: BGLC
- General Manager: JRC
- Legal Counsel: BGLC
- A representative from the Attorney General's Chambers.

The Committee completed its merger plan and a draft submission was made to the Ministry of Finance. The Commission was relocated to 78cef Hagley Park Road towards the end of December 2014, while the legislative changes will be completed by 2016. The merger will be implemented in two phases, with the first phase being

I am pleased to present the Jamaica Racing Commission's Annual Report for the foregoing twelve-month period, which details the regulatory and developmental activities of the Commission over the period.

The Commission in fulfilment of its mandate continues to serve as the central racing body on which the industry and the public can depend to preserve and maintain high standards of sports, honesty and the health and safety of all horses and personnel involved in racing.

the merging of the accounting, human resources and other support functions. The second phase will incorporate a full merger and legislative changes to the respective Acts.

The amendment to the Provisional Collection of Tax (Betting, Gaming and Lotteries) (Bookmakers' Levy Scheme) Order on March 31, 2014 augured well for the Commission, with increases in Bookmakers' Levy from 4.5% to 9.5%.

The Commission completed negotiations with the Casino Gaming Commission regarding relocation of their offices to its Winchester Road Offices. The Casino Gaming Commission is in expansion mode and will provide a consistent flow of rental income and future tenancy contracts with the Commission.

These changes will not only improve the efficiency of the Commission but will add value to the continued development of the Racing product. My sincere thanks go out to the many Commissioners and Tribunal members who served with me. I also wish to thank the management and staff of the Commission who have remained committed to the mandate of the Commission.



Mr Anthony Shoucair.
Chairman (started 8th April 2016)

COMMISSIONERS:

Mr. Anthony Shoucair	-	Chairman
Mr. Clovis Metcalfe	-	Deputy Chairman
Mr. Charles Heholt	-	Commissioner
Mr. Christopher Reckord	-	Commissioner
Mr. Paul East	-	Commissioner
Mr. Ian Scarlett.	-	Commissioner

OFFICIALS:

Richard Longmore	-`	General Manager
Sophia Ramlal (Dr.)	-	Senior Veterinarian
Dean Smith	-	Information Technology Manager St.
Aubyn Bartlett (Dr.)	-	Consultant Veterinary Officer Kavel
Mitchell Buckley	-	Finance Manager
Elaine Sullivan	-	Acting Personnel Officer
Haldene Johansen	-	Operations Steward
Eustace Williams	-	Operations Steward
Robert Clark	-	Operations Steward
Ina Lawrence	-	Administrator/Welfare & Training

DELEGATES:

(1) Operations Stewards

(2) The First Instance Tribunal:

-	Carolyn Reid-Cameron	-	Chairman
-	Donald Bryan		
-	Kenneth Gooden		
-	Colin Ifill		
-	George McPherson		
-	Paul Turner (Dr.)		
-	Operations Stewards		

SUB-COMMITTEES

FINANCE AND HUMAN RESOURCES COMMITTEE:

Anthony Shoucair	-	Chairman
Charles Heholt	-	Commissioner
Christopher Reckord	-	Commissioner
Paul East	-	Commissioner

AUDIT COMMITTEE:

Paul East	-	Chairman
Veronica Warmington	-	Commissioner
Kirby Clarke	-	Member

SENIOR EXECUTIVES COMPENSATION 2016-2017

Position of Senior Executives		Travelling Allowance	Pension		
		or	or		
	Salary	Value of Assignment of Motor Vehicle	Other Retirement Benefits	Other Allowances	
	(\$)	(\$)	(\$)	(\$)	
General Manager: Richard Longmore	3,229,051.95	670,812.00	213,183.04	26,000.00	4,139,046.99
Finance Manager: Kavel Mitchell-Buckley	2,784,799.20	707,448.00	183,136.90	0	3,675,384.10
Information Technology Manager: Dean Smith	2,162,758.00	686,814.10	141,092.04	0	2,990,664.14
Senior Veterinarian: Dr. Sophia Ramlal	4,191,169.12	707,448.00	350,195.11	1,178,840.90	6,427,653.13
TOTAL	12,367,778.27	2,772,522.10	887,607.09	1,204,840.90	17,232,748.36

Notes

1. Where contractual obligations and allowances are stated in a foreign currency, the sum in that stated currency must be clearly provided and not the Jamaican equivalent.
2. Other Allowances (including laundry, entertainment, housing, utility, etc.)
3. Where a non-cash benefit is received (e.g. government housing), the value of that benefit shall be quantified and stated in the appropriate column above.

DIRECTORS COMPENSATION 2016-2017

Position of Director	Fees (\$)	Motor Vehicle Upkeep/Travelling or Value of Assignment of Motor Vehicle (\$)	Total (\$)
CHAIRMAN: Mr. Anthony Shoucair	200,000.00	314,644.00	514,644.00
COMMISSIONER : Mr. Clovis Metcalfe	189,000.00	314,644.00	503,644.00
COMMISSIONER: Mr. Christopher Reckord	184,000.00	314,644.00	498,644.00
COMMISSIONER: Mr. Paul East	196,500.00	343,248.00	539,748.00
COMMISSIONER : Mr. Ian Scarlett	135,000.00	257,436.00	392,436.00
TOTAL	904,500.00	1,544,616.00	2,449,116.00

Notes: The former board ceased on 7th April, 2016 and a new board was appointed and the first meeting was convened on 19th April, 2016.

CHAPTER 1

GOALS AND OBJECTIVES

The primary goals of the Commission are to build a strong and credible industry to serve as the central racing body on which the industry and the public can depend to preserve and maintain high standards of sport, honesty and fair play, and to promote the health and safety of the animals and personnel involved in racing. The Commission has experienced extreme difficulties with funding the industry's Drug Testing programmes over the past six years. However, it has experienced an improvement in cash flow during the fiscal year 2016-2017 due to the amendment of the provisional (Betting, Gaming and Lotteries) Tax Order relating to the Bookmakers' Levy Scheme on March 31, 2014.

The Commission's main objectives during the year under review were to:

- maintain the development of horse racing in Jamaica;
- maintain close supervision of the operations of race meetings to assure the public and the competing owners of horses and other participants that race meetings are conducted fairly by responsible management;
- ensure proper registration and identification of horses in conformity with international standards;
- institute measures to protect animal health and welfare and the production of the Jamaica Stud Book;
- continue welfare and training programmes for persons in the industry and ensure the maintenance of a comprehensive Insurance Scheme for persons holding occupational permits;
- improve the standard of professionalism in racing by providing training courses for future jockeys and trainers;
- ensure that horses are fit to race and are allowed to run on their merit;
- prevent and detect the use of prohibited substances in competing horses;
- establish criteria for the granting of occupational permits/licences;

- ensure that applicants for registration as racehorse owners are of good character, and have sufficient means to maintain their horses in training;
- advise the Government on the extent of subsidies in support of horse racing and breeding and administer subsidies approved;
- act as coordinator between the various groups in the industry and adjudicate on complaints, objections and appeals received from persons in relation to horse racing;
- maintain racing and breeding statistics and disseminate them to the public locally and internationally;
- maintain and strengthen links with the Caribbean racing countries and other racing jurisdictions.

CHAPTER 2

2.1 Industry Sales.

Thoroughbred horse racing promoted locally by Caymanas Track Limited (CTL) at the single racetrack on the island continued to attract wide public support. The promoter not only put on local race meetings but simulcast races via satellite to their off-track Betting Parlours across the island.

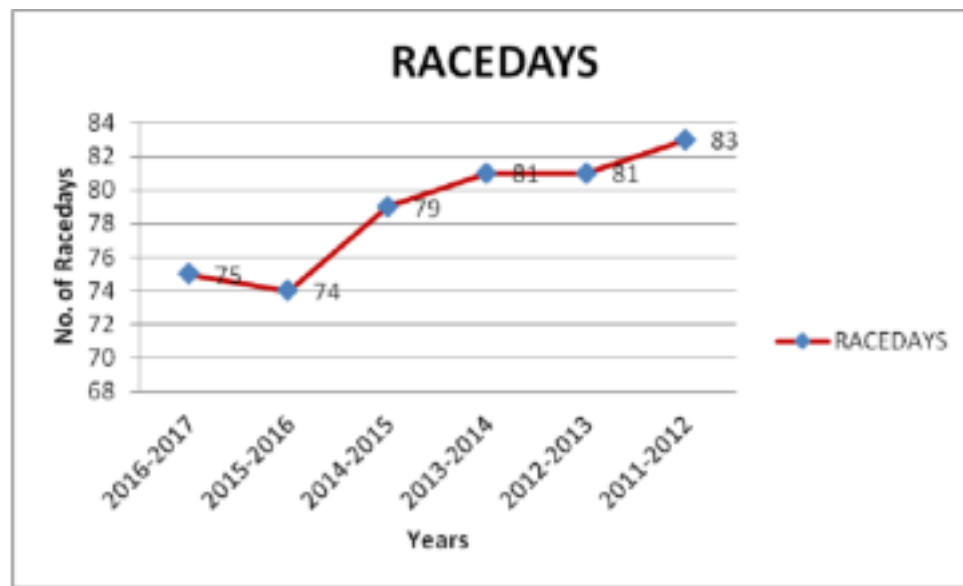
During the period under review CTL conducted seventy-five (75) local race meets, with 1 more race and 499 more starters resulting in an average number of starters per race to be 10.6 up from 10.3 in the previous period. Total race day sales for the period was \$5.1B, an increase of just over \$400M or 9% over the previous period sales of \$4.7B. Local sales increased by \$176M over the period, while revenue from simulcast racing also registered an increase

The sector has been impacted with a rapid growth in the sales of Sports Betting from the various outlets. For the period under review 2016-2017, Sports Betting recorded sales of just under \$2.2B. This represented an exponential increase of 45% over the previous year.

2.2. RACES AND PURSES

Table 1 below provides details on racing activities and purse earnings over the past five years for comparison:

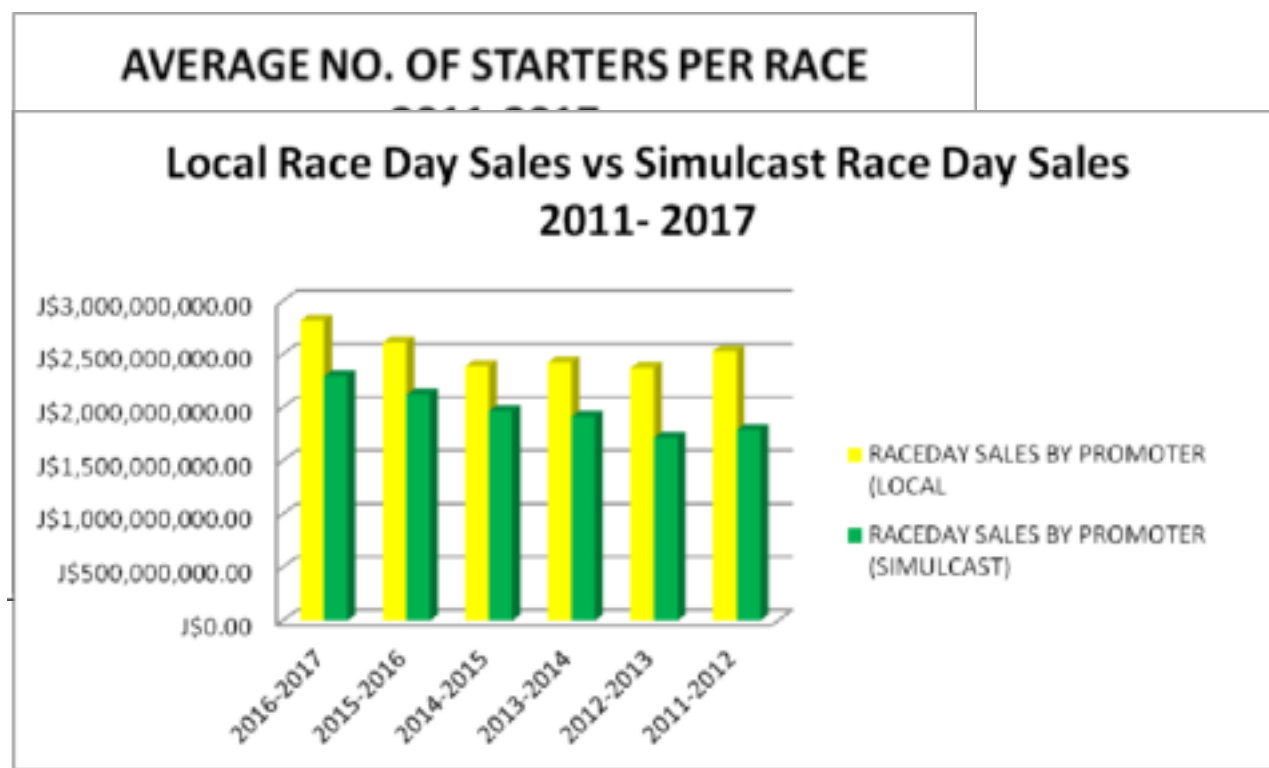
	2016-2017	2015-2016	2014-2015	2013-2014	2012-2013	2011-2012
RACE DAYS	75	74	79	81	81	83
NO. OF RACES	772	759	771	818	799	862
TOTAL NO. OF STARTERS PER YEAR	8148	7649	7479	8546	8258	8887
AVERAGE NO. OF STARTERS PER RACE	10.6	10.3	9.7	10.5	10.3	10.3
RACE DAY SALES BY PROMOTER (LOCAL RACING)	\$2,816,486,426	\$2,613,964,467	\$2,389,406,402	\$2,424,520,418	\$2,371,983,536	\$2,529,673,678
RACE DAY SALES BY PROMOTER (SIMULCAST)	\$2,293,045,427	\$2,121,037,910	\$1,968,676,985	\$1,915,404,706	\$1,719,050,105	\$1,789,673,678
TOTAL PURSE MONEY PAID OUT	\$522M	\$515M	\$507M	\$519M	\$538M	\$571M



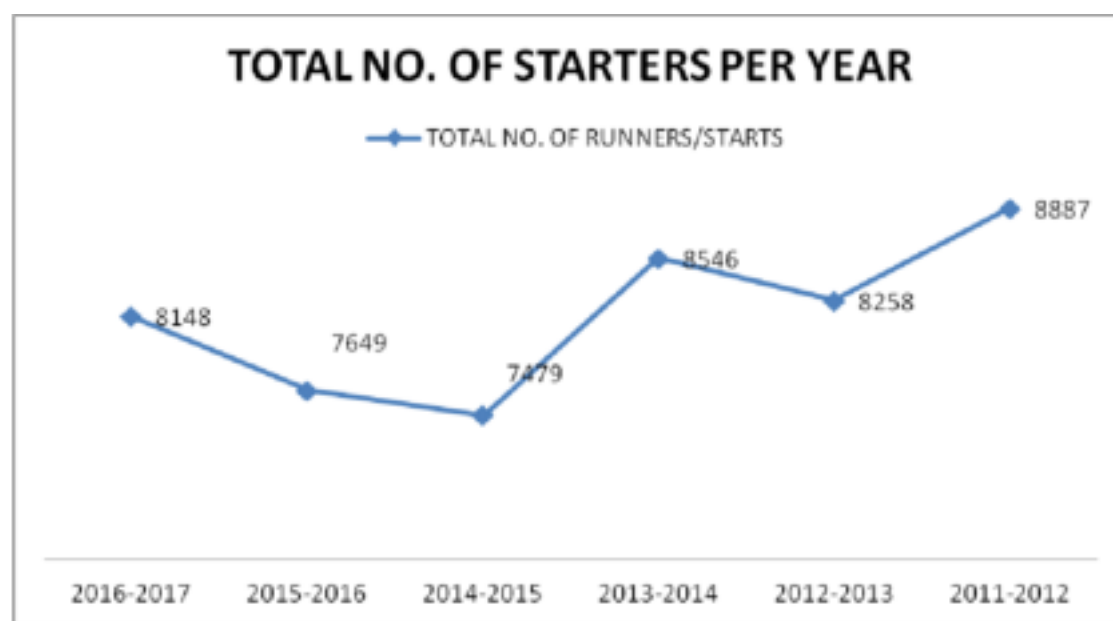
2.2 INDUSTRY STATISTICS

Line Graph depicting the Total Number of Race Days between 2011-2017

Column Chart depicting the Local Race day Sales vs simulcast Race Day Sales 2011-2017



Graph depicting the average number of starters per race day 2011-2017



Line Graph depicting the total number of starters per year 2011-2017

2.4 FINANCIAL SUPPORT TO THE INDUSTRY

TABLE II GOVERNMENT'S CONTRIBUTION TO RACING

	2016-2017 \$	2015-2016 \$	2014-2015 \$	2013-2014 \$	2012-2013 \$	2011-2012 \$
Lab operations and Drug Testing	25,447,990	24,122,861	21,426,025	25,995,034	23,994,007	24,245,039
Publication of "Racing Year in Jamaica"	47000	0	0	0	38,500	38,500
Other Development Projects (See notes in Financial Statement)	9,176,542	11,255,965	6,372,694	4,604,167	7,674,125	10,862,621
Total Subsidies	34,671,532	35,378,826	27,798,719	30,599,201	31,668,632	35,107,660

CHAPTER 3**3.1 REGULATORY**

1. During the period, no amendment was made to the Jamaica Racing Commission Racing Rules (1977).
2. With respect to the issuance of permits and licences, the Commission continued to discharge its responsibilities under the Act. As at March 31, 2017, a total of 520 permits and licences had been approved for members of the Occupational Group, which are 186 more than that obtained at March 31, 2016.

Category	Number of Licences Approved	
	As at 31.03.16	As at 31.03.17
Trainers	126	129
Assistant Trainers	18	23
Jockeys	67	65
Apprentice Jockeys	-	-
Jockeys' Agents	10	12
Grooms	97	206
Stable Assistants	10	56
Exercise Riders	5	26
Farriers	1	3
Assistant Farriers	-	-
Total	334	520

The number of registered Owners at 31st March, 2017 stood at 566 which is 162 more than the total at 31st March, 2016.

Below are the comparative totals for the categories outside of the Occupational Group

Category	Total As at 31.03.16	Total As at 31.03.17
Individual Owners	404	566
Companies	4	5
Owners Agents	3	5
Veterinarians	7	7
Officials	-	-

3. During the period under review, races were conducted on 75 days, broken down as follows:

Saturdays	Wednesdays	Public Holidays	Sundays	Other Day	Total
51	15	5	3	1	75

4. The veterinary 'On Call' system continued to assist in ensuring that horses declared to race on a particular day, were legitimately withdrawn, this after being reported sick or lame after 'Scratch Time'. The Racing Rules require that all declared horses (after the close of entries) which become sick, lame or injured be examined by a Jamaica Racing Commission's veterinarian.
5. The stewards continued their weekly review of races and conducted hearings into riding incidents. The number of summonses issued to jockeys during the period, as well as the actions taken is set out below.

Period	No. of Summonses Issued	Actions Taken			
		Suspensions (Racedays)	Fines Imposed	Cautions	Explanations Accepted
2015/16	122	50	\$438,000	43	20
2016/17	102	27	\$320,000	17	22

3.2 REGISTRATION AND LICENCES

1. The Registration Department continued the process of improving its functions, as such during the period under review, a total of the various documents processed for the year ending March 31, 2017 is set out below.
 - a) 302 applications for the registration of Native Bred horses were processed (inclusive of the late ones);
 - b) 34 applications for the registration of imported horses were approved with another 15 (incomplete) at the end of the period;
 - c) 448 samples from horses were sent to the laboratory for DNA typing, blood typing and parentage verification, while about 185 were awaiting sampling;
 - d) 265 horses were microchipped with 61 left to be done at the end of the period under review;
 - e) 285 applications for the naming of horses were approved during the period whilst 6 were denied with 15 pending at the end of the period;
 - f) 41 applications for the registration of owners' colours were approved;
 - g) 144 certificates of registration of the death of horses were received and recorded;
 - h) 19 nom-de-plumes were registered;
 - i) 498 applications for the registration of transfer of ownership of horses were approved;
 - j) 559 applications for the registration of Training Agreements were approved; and,
 - k) 169 applications for the registration of owners were processed.

CHAPTER 4

4.1 VETERINARY SERVICES

The Veterinary Department of the Jamaica Racing Commission is one of five core departments of the Commission. In the review period the Department was staffed by a Senior Commission Veterinarian (Acting), a Consultant Commission Veterinarian and a Senior Secretary on a full-time basis. Additionally, the lasix and equine drug-testing programmes necessitated the contracting of race day services of veterinarians (3 part-time, 1 relief), a horse identifier and testing barn staff to ensure timely and adequate performance of the requisite duties.

The core functions of the Department in accordance with the Racing Rules 1977 are:

- 1) Identification of horses via:
 - a. Markings/identity verification
 - b. Microchipping
 - c. Collection of hair samples for DNA analysis and parental verification
- 2) Administration and management of the Lasix Programme
- 3) Supervision of the Equine Sample Collection Center ('Testing Barn').
- 4) Maintaining custody of samples for equine drug testing
- 5) Adjudication on the suitability of horses to compete in racing
- 6) Managing and coordinating the racing industry's equine vaccination programme.
- 7) Advising the Commission on matters related to equine welfare, drug-testing and other matters relevant to horse-racing.

During the 2016-2017 fiscal year all stated functions were performed, the numerical details of which are indicated in attached tables. The relevant summaries are provided below:

4.2 EQUINE IDENTIFICATION/REGISTRATION:

438 horses were sampled to facilitate parental verification in support of registration. This represented a 71% increase over the prior fiscal year. The magnitude of increase is largely explained by the submission of 2015 foal samples by farms on the Hair Sample Self-Submission Pilot Programme (HSSSP) in July 2016 and the re-sampling of horses exported to Trinidad. The Department performed 'on-farm' verification and adjustments (where necessary), of the markings/identification of horses seeking registration/already registered.

265 horses were microchipped during the period under review; this represented a 23% percent decrease compared to 2015/16, as nominated runners were prioritised in the

last quarter of 16/17 while microchip stock was on overseas order. Limited microchip detection failure was experienced during the period with approximately 12 horses being implanted with second microchips due to the failure to detect originally implanted microchips.

4.3 RACE DAY MEDICATION AND SAMPLE COLLECTION

Strategic cross-training continues to be effected in the Testing Barn operations with emphasis on Control Clerks being members of the Commission's full-time staff. The Department has submitted reports to the Commission recommending an investigation into incidents related to suspected cases of sample-tampering (May 2016, December 2016); the investigations and decisions of the Commission are awaited.

1. The number of doses of the race day medication, Salix, that were administered during the period under review was 6721, an increase of 6.58% when compared to the 6230 in the previous year.
2. The Veterinary Department continued its management of the Equine Collection Center (Testing Barn) to assist in ensuring that the integrity and fairness of the industry was kept at a high level. During the period, 1,471 urine and 1,414 blood samples were collected and processed. After analysis by the Racing Chemist, three (3) were confirmed as being positive for substances prohibited by the Jamaica Racing Commission Racing Rules 1977. The breakdown is as follows

a) DICLOFENAC - 1 sample

b) PROPRANOLOL - 2 samples

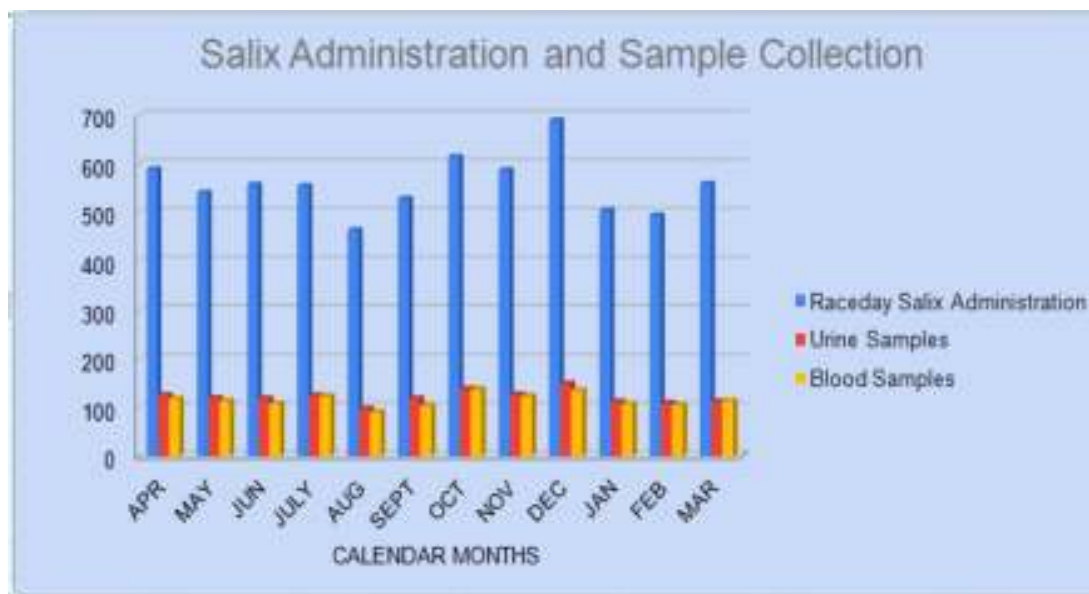


Chart showing Salix Administration and sample collection for the period April 2016-March 2017

4.4 ENDOSCOPY AND BLEEDERS LISTING

TABLE 3Bi. ENDOSCOPY AND EPISTAXIS (APRIL 2015 – MARCH 2016)

CALENDAR MONTHS	APR	MAY	JUN	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	TOTAL
Number of horses endoscoped and bled	13	18	9	5	24	9	28	27	15	35	11	29	223
Non-lasix Bleeders	3	-	1	2	1	1	1	-	-	-	2	-	11

TABLE 3Bi. ENDOSCOPY AND EPISTAXIS RESULT (APRIL 2016 – MARCH 2017)

CALENDAR MONTHS	APR	MAY	JUN	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	TOTAL
Number of horses endoscoped and bled	22	12	12	17	15	33	24	17	18	17	23	22	232
Non-lasix Bleeders	6	-	3	2	1	2	3	2	6	3	6	3	37
Total number of horses on bleeder's list	28	12	15	19	16	35	27	19	24	20	29	25	269

4.5 POSITIVE FINDINGS FOR PROHIBITED SUBSTANCES

Three positive findings for prohibited substances involving 3 horses were recorded during the period, representing a 75% decline in positive findings compared to the prior fiscal period. Two of the three positive findings were for ARCI Class III substance **Propranolol** and the other was for **Diclofenac** (ARCI Class IV). This represents a positive finding rate of 0.2% of urine samples collected. The Department continues to advocate for stronger medication control measures, deterrent and punitive, to curb medication abuse in racehorses.

4.6 FITNESS CERTIFICATION AND DISQUALIFICATIONS

Most evaluated categories directly related to racing activities experienced increases compared to the prior fiscal period were: ***Pre-race fitness certification*** (28%); ***Post-race lameness*** (15%) ***EIPH via epistaxis*** (56%) ***“Bleed-thrus”*** (34%), ***Race day euthanasia*** (42%) and ***On-call visits*** (21%). 269 horses were confirmed as bleeders via a combination of endoscopy and observation of epistaxis; this compared to 233 horses in the prior fiscal period. The Commission commenced the process of reviewing Lasix race day dosing, to allow for a range of doses as is practised in other jurisdictions. To better inform the process, the Veterinary Department in August 2016 conducted an informal survey of trainers, 90% of whom were supportive of having a range of Lasix doses for race day use.

4.7 EQUINE VACCINATION PROGRAMME

The Department maintained custody of the vaccination records for horses at, or entering the racing compound during the period. Sixty-nine horses were disqualified from racing for non-adherence to the Commission's Vaccination Protocol; this represented an average of just under one horse per race day and almost three times the number of similarly disqualified horses in 2014-15. It is suggested that this increase is due to the connections of some horses seeking to only vaccinate horses close to the intended race and not routinely (i.e. every 120 days) as required by the Racing Rules.

The location of the Department at the racetrack continues to prove invaluable both in terms of the dissemination of vaccination information to stakeholders and also in receiving vaccination data from veterinarians. Periodic challenges accessing the Jamaica Racing Commission Racing Information System (JRCRIS) were experienced by the Department, necessitating contingency measures.

5.9 INDUSTRY PROGRAMMES

The Department participated in the Commission's Stewards training programme in November 2016 and the Association of Racing Commissioners International meeting in Seattle, Washington, July 2016 where the Department made representation for assistance in initiating an investigative arm of the Commission with regards to equine medication.

The Department also participated in the Racing Rule review process, making recommendations on catastrophic race day injuries being grounds for voiding claims.

Part one of the 2017 Trainers Training Programme was launched in March. Twenty-two Assistant Trainers are enrolled in this programme which is coordinated and conducted by the Department at Caymanas Park

- a) The Commission and Track Veterinarians continued their vigilance in conducting pre and post-race examinations on all horses declared to race, with a view to detecting lameness and or other chronic problems. These examinations offered added protection to the horses, jockeys, owners, trainers, grooms and punters, by assisting in the prevention of serious injuries to both the jockeys and horses. This ultimately amounted to financial savings to all parties, especially when the horses were withdrawn from races, resulting in bets purchased being refunded.
- b) The Veterinarians also periodically conducted examinations of the horses housed at Caymanas Park with a view to identifying the chronically lame ones. Those so identified, along with others, aged 8 years and older, which did not each earn a minimum of \$160,000.00 over the preceding 24 months, were culled from racing as at December 31, 2016.
- c) The total culled during the period under review was 171, which is 331 fewer than the 502 removed at the end of 2015.
- d) Vaccination of horses was another process closely monitored, especially the recording of the data regarding the date each horse received its 'shot'.
- e) The welfare officer with assistance from Caymanas Track Ltd's surgeons, chaplain (Father Collier) and other professionals, counselled members of the Occupational Group on the benefit of a healthy lifestyle. The welfare officer also monitored the use of safety helmets and boots, worn by jockeys, exercise riders and grooms.



Auditor's Report & Financial Reports

Financial Year ending 31 March 2017

JAMAICA RACING COMMISSION

FINANCIAL STATEMENTS

31 MARCH 2017

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FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Commissioners of
Jamaica Racing Commission

Report on the Financial Statements

Opinion

We have audited the financial statements of Jamaica Racing Commission set out on pages 4 to 38, which comprise the statement of financial position as at 31 March 2017, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising 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 Commission as at 31 March 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Commission 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.

Responsibilities of Management and Board of Commissioners for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements 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 Commission'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 Commission or to cease operations, or has no realistic alternative but to do so.

The Board of Commissioners is responsible for overseeing the Commission's financial reporting process.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Commissioners of
Jamaica Racing Commission

Auditors' 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 auditors' 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.

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

- Identify and assess the risks of material misstatement of the 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 Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Commission 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.



INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Commissioners of
Jamaica Racing Commission

We communicate with the Board of Commissioners 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.

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 kept, 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.

A handwritten signature in black ink, appearing to be 'BDO'.

Chartered Accountants

31 July 2017

JAMAICA RACING COMMISSION

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2017

	<u>Note</u>	<u>2017</u> <u>\$</u>	<u>2016</u> <u>\$</u>
REVENUE	7	128,239,205	132,390,042
Other income	8	35,606,632	37,008,439
FINSAC debt forgiveness	9	<u>50,536,227</u>	<u>-</u>
		<u>214,382,064</u>	<u>169,398,481</u>
EXPENSES:			
Administrative	27	30,688,808	25,484,113
Development	27	25,205,768	35,378,826
Establishment	27	16,681,198	11,434,680
Personnel	27	<u>94,995,948</u>	<u>94,141,546</u>
		<u>167,571,722</u>	<u>166,439,165</u>
PROFIT BEFORE TAXATION		46,810,342	2,959,316
Taxation	10	<u>(4,879,160)</u>	<u>5,600,642</u>
NET PROFIT		<u>41,931,182</u>	<u>8,559,958</u>
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified to profit or loss -			
Re-measurement of employee benefits obligation		36,238,000	21,020,000
Tax relating to items that will not be reclassified		<u>(3,804,500)</u>	<u>(3,777,125)</u>
		<u>32,433,500</u>	<u>17,242,875</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>74,364,682</u>	<u>25,802,833</u>

JAMAICA RACING COMMISSION
STATEMENT OF FINANCIAL POSITION

31 MARCH 2017

	<u>Notes</u>	<u>2017</u> <u>£</u>	<u>2016</u> <u>£</u>
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	11	158,759,835	161,477,435
Long-term receivables	12	270,048	22,390
Deferred tax asset	13	1,437,506	10,144,276
Post employment benefit assets	14	<u>31,842,000</u>	<u>-</u>
		<u>192,309,389</u>	<u>171,644,101</u>
CURRENT ASSETS:			
Inventories	15	1,772,865	1,236,316
Receivables	16	71,466,990	100,058,768
Short-term loans receivable	17	2,548,418	675,682
Current portion of long-term receivables	12	189,995	176,213
Taxation recoverable		3,066,853	2,946,635
Cash and cash equivalents	18	<u>31,842,857</u>	<u>19,999,969</u>
		<u>110,887,978</u>	<u>125,093,583</u>
		<u>303,197,367</u>	<u>296,737,684</u>
RESERVES AND LIABILITIES			
RESERVES:			
General fund		59,805,618	(14,559,064)
Revaluation reserve	19	<u>148,649,367</u>	<u>148,649,367</u>
		<u>208,454,985</u>	<u>134,090,303</u>
NON-CURRENT LIABILITIES:			
Long term loans	20	-	20,253,424
Employee benefit obligation	14	<u>-</u>	<u>2,080,000</u>
		<u>-</u>	<u>22,333,424</u>
CURRENT LIABILITIES:			
Payables	21	76,880,547	94,554,465
Short-term loan payable	22	17,861,925	23,861,925
Current portion of long-term loans	20	<u>-</u>	<u>21,897,567</u>
		<u>94,742,382</u>	<u>140,313,957</u>
		<u>303,197,367</u>	<u>296,737,684</u>

Approved for issue by the Commissioners on 31 July 2017 and signed on its behalf by:


Anthony Shoucair Chairman


Clovis Metcalfe Vice Chairman

JAMAICA RACING COMMISSION
STATEMENT OF CHANGES IN RESERVES
YEAR ENDED 31 MARCH 2017

	Revaluation Reserve \$	General Fund \$	Total \$
BALANCE AT 1 APRIL 2015	<u>144,197,443</u>	<u>(40,361,897)</u>	<u>103,835,546</u>
TOTAL COMPREHENSIVE INCOME			
Net loss	-	8,559,958	8,559,958
Other comprehensive income	<u>4,451,924</u>	<u>17,242,875</u>	<u>21,694,799</u>
	<u>4,451,924</u>	<u>25,802,833</u>	<u>30,254,757</u>
BALANCE AT 31 MARCH 2016	<u>148,649,367</u>	<u>(14,559,064)</u>	<u>134,090,303</u>
TOTAL COMPREHENSIVE INCOME			
Net profit	-	41,931,182	41,931,182
Other comprehensive income	<u>-</u>	<u>32,433,500</u>	<u>32,433,500</u>
	<u>-</u>	<u>74,364,682</u>	<u>74,364,682</u>
BALANCE AT 31 MARCH 2017	<u>148,649,367</u>	<u>59,805,618</u>	<u>208,454,985</u>

JAMAICA RACING COMMISSION

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2017

	<u>2017</u> \$	<u>2016</u> \$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit	41,931,182	8,559,958
Items not affecting cash resources:		
Depreciation	5,338,942	5,626,895
Interest income	(435,020)	(115,058)
Interest expense	1,702,287	3,740,748
Employee benefits	2,316,000	3,947,000
Taxation	4,879,160	(5,600,642)
Re-measurement for concessionary interest on FINSAC loan and loans to employees	-	2,189,906
	55,732,551	18,348,807
Changes in operating assets and liabilities:		
Inventories	(536,549)	1,059,162
Receivables	28,591,778	(32,754,294)
Payables	(19,376,295)	20,257,946
Short term loan receivable	(1,872,736)	958,457
Loan to employees	(261,440)	177,449
	62,277,309	8,047,527
Taxation paid	(97,108)	(22,853)
Cash provided by operating activities	<u>62,180,201</u>	<u>8,024,674</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(2,621,342)	(1,515,723)
Interest received	<u>435,020</u>	<u>115,058</u>
Cash used in investing activities	<u>(2,186,322)</u>	<u>(1,400,665)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Loan repayment	(6,000,000)	(2,000,000)
FINSAC loan debt forgiveness	<u>(42,150,991)</u>	<u>-</u>
Cash used in financing activities	<u>(48,150,991)</u>	<u>(2,000,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,842,888	4,624,009
Cash and cash equivalents at beginning of year	<u>19,999,969</u>	<u>15,375,960</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 18)	<u>31,842,857</u>	<u>19,999,969</u>

JAMAICA RACING COMMISSION**NOTES TO THE FINANCIAL STATEMENTS****31 MARCH 2017****1. IDENTIFICATION AND PRINCIPAL ACTIVITIES:**

Jamaica Racing Commission ("the Commission") is a statutory body established by the Jamaica Racing Commission Act to regulate and control horse racing in Jamaica. It is wholly owned by the Government of Jamaica and is an agency within the Ministry of Finance. The registered office of the Commission is located at 8 Winchester Road, Kingston.

On 17 December 2012, Cabinet approved the merger of Jamaica Racing Commission and the Betting, Gaming and Lotteries Commission (BGLC) under the Public Sector Master Rationalization Plan. No subsequent changes have been made to the legislations governing both entities and no effective date has yet been established for the completion of the merger.

2. REPORTING CURRENCY:

Items included in the financial statements of the Commission are measured using the currency of the primary economic environment in which the Commission operates ('the functional currency'). These financial statements are presented in Jamaican dollars, which is considered the Commission's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), and have been prepared under the historical cost convention as modified by the revaluation of certain properties that are measured at fair value or revalued amounts.

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

JAMAICA RACING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd)

New, revised and amended standards and interpretations that became effective during the year

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

Amendment to IAS 1, 'Presentation of Financial Statements: Disclosure Initiative' (effective for accounting periods beginning on or after 1 January 2016). These amendments clarify the existing requirements of IAS 1 and provide additional assistance to apply judgement when meeting the presentation and disclosure requirements in IFRS. The amendment does not affect recognition and measurement and is not expected to have a significant impact on the financial statements.

IASB Annual Improvements - The IASB annual improvements project for the 2012 - 2014 cycle resulted in amendments to the following standards which are relevant to the Commission's operations. These amendments are effective for the accounting periods beginning on or after 1 January 2016.

IAS 19 (Revised), 'Employee Benefits'. The amendment clarifies that, when determining the discount rate for post employment benefit obligations, it is the currency that the liabilities are denominated in, that is important, and not the country where they arise. The assessment of whether there is a deep market in high quality corporate bonds or not is based on corporate bonds in that currency, and not corporate bonds in a particular country. Similarly, where there is no deep market in high quality corporate bonds in that currency, government bonds in the relevant currency should be used.

New standards, amendments and interpretation not yet effective and not early adopted

The following new standards, amendments and interpretations, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Commission's future financial statements:

Amendments to IAS 7, 'Statement of Cash Flows' (effective for accounting periods beginning on or after 1 January 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.

JAMAICA RACING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd)

New standards, amendments and interpretation not yet effective and not early adopted (cont'd)

Amendment to IAS 12, 'Income Taxes' (effective for accounting periods beginning on or after 1 January 2017). The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. The amendments confirm that a temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period, an entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit, where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type and that tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

IFRS 9, 'Financial Instruments' (effective for accounting periods beginning on or after 1 January 2018). The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It 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.

IFRS 15, 'Revenue from Contracts with Customers' (effective for accounting periods beginning on or after 1 January 2018). The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

JAMAICA RACING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(b) Basis of preparation (cont'd)

New standards, amendments and interpretation not yet effective and not early adopted (cont'd)

IFRS 16, 'Leases', (effective for accounting periods beginning on or after 1 January 2019). The standard primarily addresses the accounting for leases by lessees. The complete version of IFRS 16 was issued in January 2016. The standard will result in almost all leases being recognised on the statement of financial position, as it removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short term and low-value leases. The accounting by lessors will not significantly change.

The Commission is currently assessing the impact that these standards and amendments to standards will have on the financial statements when they are adopted.

(b) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated to Jamaican dollars using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated using the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognized in surplus or deficit.

(c) Property, plant and equipment

Items of property, plant and equipment are recorded at historical cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Freehold land and building, with the exception of the Jockeys School which is stated at cost, are subsequently carried at fair value, based on valuations by a professionally qualified valuer to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss.

JAMAICA RACING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(c) Property, plant and equipment (cont'd)

Depreciation is calculated on the straight-line basis at annual rates estimated to write off the carrying value of the assets over the period of their estimated useful lives. Annual rates are as follows:

Buildings	2 ½%
Furniture, tools and equipment	10%
Computer equipment	20%
Motor vehicle	20%

No depreciation is provided on freehold land.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining profit.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

(d) Impairment of non-current assets

Non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identified cash flows. Non financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(e) Financial instruments

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

Financial assets

(f) Classification

The Commission classifies its financial assets in the category of loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

JAMAICA RACING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(e) Financial instruments (cont'd)

Financial assets (cont'd)

(i) Classification (cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and service to customers (e.g. trade receivables) but also incorporate other types of contractual monetary asset.

The Commission's loans and receivables comprise trade receivables and cash and cash equivalents. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current asset.

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and short term deposits with original maturity of three months or less.

(ii) Recognition and Measurement

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Commission has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method, less provision for impairment.

The Commission assess at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For loans and receivables impairment provisions are recognized when there is objective evidence that the Commission will not collect all of the amounts due under the terms receivable. The amount of the provision is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables which are reported net, such provisions are recorded in a separate allowance account with the loss being recognized in profit or loss. On confirmation that the trade receivable is uncollectible, it is written off against the associated allowance. Subsequent recoveries of amounts previously written off are credited to profit or loss.

JAMAICA RACING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(e) Financial Instruments (cont'd)

Financial liabilities

The Commission's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the reporting date, the following items were classified as financial liabilities: long and short term loans and trade payables.

(f) Inventories

Inventories are stated at the lower of cost and fair value less costs to sell, cost being determined on the weighted average cost basis. Fair value less costs to sell is the estimated selling price in the ordinary course of business, less selling expenses.

(g) Trade and other payables

Trade and other payables are stated at cost.

(h) Revenue recognition

Government of Jamaica Subventions:

Grants received from the Ministry of Finance and Planning are recognised as they are received.

Levy:

Levy is earned from two sources, Caymanas Track Limited (CTL) and bookmakers. It is recognised when the Commission receives notice of payment either from Ministry of Finance and Planning or Tax Administration Jamaica. The amount due is based on a gazetted fixed rate Gross Profit Tax of 9½% for the bookmakers, and 4½% of racing promoter, Caymanas Track Limited (CTL); of local and foreign sales. The amounts accrued are based on information provided by Tax Administration Jamaica and Betting, Gaming and Lotteries Commission (BGLC).

Registration fees and permits:

Income from registration fees and permits is determined by payment and renewal. A fee or permit that is not paid and renewed is not considered in force and, thus, not recognised as income.

Interest income:

Interest income is recognised in the statement of profit or loss and other comprehensive income for all interest bearing instruments on an accrual basis unless collectability is doubtful.

JAMAICA RACING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(i) Current and deferred income taxes

Taxation expense in profit or loss comprises current and deferred tax charges.

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because taxable profits exclude items that are taxable or deductible in other years, and items that are never taxable or deductible. The Commission's liability for current tax is calculated at tax rates that have been enacted at the reporting date.

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

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

(j) Employee benefits

Employee benefits are all forms of consideration given by the Commission in exchange for service rendered by employees. These include current or short-term benefits such as salaries, incentives, NIS contributions, vacation leave and post-employment benefits such as pensions.

Short-term employee benefits are recognized as a liability, net of payments made, and expensed. The expected cost of vacation leave that accumulates is recognized when the employee becomes entitled to the leave.

Defined benefit plans

The Commission operates a defined benefit plan, the assets of which are generally held in a separate trustee-administered fund. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The plan is generally funded through payments to a trustee administered fund, determined by periodic actuarial calculations.

JAMAICA RACING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(j) Employee benefits (cont'd)

Defined benefit plans (cont'd)

Defined benefit plans surpluses and deficits are measured at:

- the fair value of plan assets at the reporting date; less
- plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus
- unrecognized past service costs; less
- the effect of minimum funding requirements agreed with scheme trustees.

Re-measurements of the net defined obligation are recognised directly within equity. The Re-measurements include actuarial gains and losses, return on plan assets (interest exclusive) and any asset ceiling effects (interest exclusive).

Service costs are recognised in profit or loss, and include current and past service costs as well as gains and losses on curtailments.

Net interest expense (income) is recognised in profit or loss, and is calculated by applying the discount rate used to measure the defined benefit obligation (asset) at the beginning of the annual period to the balance of the net defined benefit obligation (asset), considering the effects of contributions and benefit payments during the period. Gains or losses arising from changes to scheme benefits or scheme curtailment are recognised immediately in profit or loss.

Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES:

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the Commission's accounting policies

In the process of applying the Commission's accounting policies, management has not made any judgements that it believes would cause a significant impact on the amounts recognized in the financial statements.

JAMAICA RACING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2017

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D):

(b) Key sources of estimation uncertainty

The Commission makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts and assets and liabilities within the next financial year are discussed below:

(i) Fair value estimation

A number of assets included in the Commission's financial statements require measurement at, and/or disclosure of, at fair value.

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. Market price is used to determine fair value where an active market (such as a recognized stock exchange) exists as it is the best evidence of the fair value of a financial instrument.

The fair value measurement of the Commission's financial and non financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized.

The standard requires disclosure of fair value measurements by level using the following fair value measurement hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The classification of an item into the above level is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Commission measures land and building at fair value (note 11).

JAMAICA RACING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D):

(b) Key sources of estimation uncertainty (cont'd)

(ii) Depreciable assets

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The Commission applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

(iii) Defined benefit assumptions

The cost of these benefits and the present value of the future obligations depend on a number of factors that are determined by actuaries using a number of assumptions. The assumptions used in determining the net periodic cost or income for retirement benefits include the expected long-term rate of return on the relevant plan assets and the discount rate. Any changes in these assumptions will impact the net periodic cost or income recorded for retirement benefits and may affect planned funding of the pension plan. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns.

The Commission determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefits obligations.

In determining the appropriate discount rate, the Commission considered interest rate of high-quality Government of Jamaica bonds that are denominated in the currency in which the benefits will be paid, and have terms to maturity approximating the terms of the related obligations. Other key assumptions for the retirement benefits are based on current market conditions.

(iv) Income taxes

Estimates are required in determining the provision for income tax. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Commission recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

JAMAICA RACING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

5. FINANCIAL RISK MANAGEMENT:

The Commission is exposed through its operations to the following financial risks:

- Market risk
- Credit risk
- Liquidity risk

In common with all other businesses, the Commission is exposed to risks that arise from its use of financial instruments. This note describes the Commission's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Commission's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(a) Principal financial instruments

The principal financial instruments used by the Commission, from which financial instrument risk arises, are as follows:

- Cash and cash equivalents
- Trade receivables
- Payables
- Long and short term loans

(b) Financial instruments by category

Financial assets

	<u>Loans and Receivables</u>	
	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
Cash and cash equivalents	31,842,857	19,999,969
Trade receivables	<u>69,886,674</u>	<u>100,018,445</u>
Total financial assets	<u>101,729,531</u>	<u>120,018,414</u>

Financial liability

	<u>at amortised cost</u>	
	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
Payables	76,880,547	94,554,465
Long term and short term loans	<u>17,861,925</u>	<u>66,012,916</u>
Total financial liabilities	<u>94,742,472</u>	<u>160,567,381</u>

JAMAICA RACING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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5. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, receivables and payables.

Due to their short-term nature, the carrying value of cash and cash equivalents, receivables and payables approximates their fair value.

(d) Financial risk factors

The Commissioners have overall responsibility for the establishment and oversight of the Commission's risk management framework; key management has responsibility for monitoring the Commission's risk management policies.

The overall objective of the Commission's is to set policies that seek to reduce risk as far as possible without unduly affecting the Commission's activities. Further details regarding these policies are set out below:

(i) Market risk

Market risk arises from the Commission's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Commission has no exposure to foreign currency risk at the reporting date as it has no foreign currency balances.

Cash flows and fair value interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Commission to cash flow interest risk, whereas fixed interest rate instruments expose the Commission to fair value interest risk.

The Commission's manages its interest rate risk by maintaining an appropriate risk of interest bearing financial assets. The policy also requires it to manage the maturities of interest bearing financial assets.

JAMAICA RACING COMMISSION
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5. FINANCIAL RISK MANAGEMENT (CONT'D):

(d) Financial risk factors (cont'd)

(i) Market risk (cont'd)

Cash flows and fair value Interest rate risk (cont'd)

At the reporting date, the Commission had fixed rate interest bearing financial instruments with carrying value of \$11,185,384 (2016: \$1,104,008).

Interest-bearing financial assets are primarily represented by cash and short-term deposits, which are contracted at fixed interest rates for the duration of the term.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from trade receivables and cash and bank balances.

Trade receivables

Trade receivables include lasix receivable (CTL) and levies, from bookmakers. The Commission has a concentration of credit risk in respect of amounts due from CTL which represents 93% of trade and other receivables. CTL has undertaken to settle its long outstanding balances through monthly payments of \$600,000 and the settlement of current balances as they fall due.

Cash and bank balances

Cash transactions are limited to high credit quality financial institutions. The Commission has policies that limit the amount of credit exposure to any one financial institution.

Maximum exposure to credit risk

The maximum exposure to credit risk is equal to the carrying amount of trade receivables and cash and cash equivalents in the statement of financial position.

Trade receivables that are past due but not impaired

At as 31 March 2017, trade receivables of \$56,339,484 (2016 - \$87,405,379) were past due but not impaired. These relate to customers for whom there is no recent history of default.

JAMAICA RACING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(d) Financial risk factors (cont'd)

(i) Credit risk (cont'd)

Concentration of risk - Trade receivables

The following table summarizes the Commission's credit exposure for trade receivables at their carrying amounts, as categorized by the customer sector:

	<u>2017</u> <u>\$</u>	<u>2016</u> <u>\$</u>
Government entities	61,886,674	92,862,933
Other	<u>8,000,000</u>	<u>7,155,512</u>
	<u>69,886,674</u>	<u>100,018,445</u>

(iii) Liquidity risk

Liquidity risk is the risk that the Commission will be 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, and the availability of funding through an adequate amount of committed credit facilities.

Liquidity risk management process

The management of the Commission manages this risk by maintaining adequate financial assets in liquid form.

The Commission's financial liabilities that would create an exposure to liquidity risk comprise accounts payable which are repayable within three months.

Cash flows of financial liabilities

The maturity profile of the Commission's financial liabilities, based on contractual undiscounted payments, is as follows:

	<u>1 Year or less</u> <u>\$</u>	<u>1 to 2 Years</u> <u>\$</u>	<u>2 to 5 Years</u> <u>\$</u>	<u>Over 5 Years</u> <u>\$</u>	<u>Total</u> <u>\$</u>
31 March 2017					
Payables	76,880,547	-	-	-	76,880,547
Short term loan payables	<u>19,564,212</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,564,212</u>
Total financial liabilities (contractual maturity dates)	<u>96,444,759</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,444,759</u>

JAMAICA RACING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(d) Financial risk factors (cont'd)

(iii) Liquidity risk (cont'd)

Cash flows of financial liabilities (cont'd)

	1 Year or less \$	1 to 2 Years \$	2 to 5 Years \$	Over 5 Years \$	Total \$
31 March 2016					
Payables	94,554,465	-	-	-	94,554,465
Short term loan payables	25,770,879				25,770,879
Long term liabilities	6,363,930	6,363,930	25,455,720	25,455,730	63,639,310
liabilities (contractual maturity dates)	126,689,274	6,363,930	25,455,720	25,455,730	183,964,654

(e) Capital management

The Board's policy is to maintain adequate capital to be able to continue to carry out the objectives the Commission was formed to achieve. The Commission continues to rely heavily on government subventions for resources to support the various programmes undertaken. It also seeks to manage its budget so as to retain adequate accumulated surplus.

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

6. EXPENSES BY NATURE:

Total operating and administrative expenses -

	2017 \$	2016 \$
Staff costs (note 23)	93,115,768	91,896,638
Board members fees	1,880,180	2,244,908
Legal and professional fees	5,042,882	1,785,232
Audit fees	1,353,500	1,428,500
Repairs and maintenance	4,415,856	1,479,632
Insurance	1,853,273	1,740,401
Other operating supplies and material	23,184,379	21,867,218
Electricity, water and telephone	7,646,836	3,975,631
Other	23,740,106	34,394,110
Depreciation	5,338,942	5,626,895
	<u>167,571,722</u>	<u>166,439,165</u>

JAMAICA RACING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

7. REVENUE:		
	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
Government subventions:		
Levy - Bookmakers	77,838,488	86,753,745
Levy - Caymanas Track Limited	<u>50,400,717</u>	<u>45,636,297</u>
	<u>128,239,205</u>	<u>132,390,042</u>
8. OTHER INCOME:		
	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
Assistant trainers course	1,150,000	-
Apprentice Jockey training	207,666	2,397,245
Fees, appeals & complaints	916,772	1,922,848
Finance income	435,020	115,058
Fines	2,355,700	2,157,211
Lasix administration	13,440,000	12,614,000
Micro chipping	435,000	528,001
Miscellaneous	1,387,545	131,551
Publications	600	600
Rent	4,887,000	4,860,000
Registration fees and permits	7,560,099	9,363,965
Service fee - blood typing	1,231,230	1,327,960
Track license	<u>1,600,000</u>	<u>1,590,000</u>
	<u>35,606,632</u>	<u>37,008,439</u>
9. FINSAC DEBT FORGIVENESS:		
This represents debt forgiveness by FINSAC Limited as follows:		
	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
Loan principal	50,000,000	-
Interest on loan	8,385,236	-
Effect of IFRS re-measurement - IAS 39	<u>(7,849,009)</u>	<u>-</u>
	<u>50,536,227</u>	<u>-</u>

JAMAICA RACING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

10. TAXATION EXPENSE:

Pursuant to an amendment to Section 12(b) of the Income Tax Act, effective 23 December 2003, the Commission's previous exemption from Income Tax was revoked.

Taxation is computed on the profit/(loss) for the year, adjusted for taxation purposes, and comprises income tax at 25%.

	<u>2017</u> <u>£</u>	<u>2016</u> <u>£</u>
Current taxation	-	20,964
Prior year over accrual	(23,110)	-
Deferred tax (note 13)	<u>4,902,270</u>	<u>(5,621,606)</u>
	<u>4,879,160</u>	<u>(5,600,642)</u>

The tax on the profit before taxation differs from the theoretical amount that would arise using the applicable tax rate of 25%, (or other applicable rates) as follows:

	<u>2017</u> <u>£</u>	<u>2016</u> <u>£</u>
Profit before taxation	<u>46,810,342</u>	<u>2,959,316</u>
Tax calculated at applicable tax rate	11,702,586	739,829
Adjusted for the effects of:		
Prior year over accrual	(23,110)	-
Depreciation charge and capital allowances	574,003	550,925
Other charges and credits	<u>(7,374,319)</u>	<u>(6,891,396)</u>
	<u>4,879,160</u>	<u>(5,600,642)</u>

JAMAICA RACING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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11. PROPERTY, PLANT AND EQUIPMENT:

	Freehold Land £	Building £	Computer Equipment £	Motor Vehicles £	Furniture Fixtures and Equipment £	Total £
At cost -						
1 April 2015	60,000,000	91,326,700	11,222,714	3,164,751	66,609,073	232,323,238
Additions	-	-	696,604	-	819,119	1,515,723
31 March 2016	60,000,000	91,326,700	11,919,318	3,164,751	67,428,192	233,838,961
Additions	-	-	1,104,280	-	1,517,062	2,621,342
31 March 2017	60,000,000	91,326,700	13,023,598	3,164,751	68,945,254	236,460,303
Depreciation -						
1 April 2015	-	3,099,064	10,865,003	2,848,277	49,922,287	66,734,631
Charge for the year	-	2,283,168	249,685	316,473	2,777,569	5,626,895
31 March 2016	-	5,382,232	11,114,688	3,164,750	52,699,856	72,361,526
Charge for the year	-	2,283,168	321,619	-	2,734,155	5,338,942
31 March 2017	-	7,665,400	11,436,307	3,164,750	55,434,011	77,700,468
Net Book Value -						
31 March 2017	60,000,000	83,661,300	1,587,291	1	13,511,243	158,759,835
31 March 2016	60,000,000	85,944,468	804,630	1	14,728,336	161,477,435

JAMAICA RACING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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11. PROPERTY, PLANT AND EQUIPMENT (CONT'D):

Buildings include \$1,326,700 (2016: \$1,326,700) which is the cost of a building on land leased for 49 years which houses a Jockeys School (see note 26). Freehold land and buildings, with the exception of the Jockeys School, were revalued on September 5, 2014 by an independent valuer, Victoria Mutual (Property Services) Limited, Chartered Surveyors and the resultant revaluation surplus booked in the previous year.

The fair value calculation used level 2 fair value measurements based on the inputs to the valuation model. Fair value was determined directly by reference to observable prices paid for facilities comparable in quality and in location, as well as current building costs. The Board of Commissioners has adopted between land and buildings at \$60,000,000 and \$90,000,000, respectively. Under the cost model, land would have been carried at \$51,000 and buildings at \$9,277,435.

12. LONG-TERM RECEIVABLES:

	<u>2017</u> \$	<u>2016</u> \$
Loan to employees	460,043	198,603
Less: current portion	(189,995)	(176,213)
	<u>270,048</u>	<u>22,390</u>

Long term loans to employees are unsecured, bear interest at 3% per annum and are repayable between 2 to 5 years.

13. DEFERRED INCOME TAXES:

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25%.

The movement in deferred taxation is as follows:

	<u>2017</u> \$	<u>2016</u> \$
Balance at start of year	10,144,276	3,847,871
Revaluation surplus	-	4,451,924
Recognised in other comprehensive income	(3,804,500)	(3,777,125)
Charge for the year (note 10)	(4,902,270)	5,621,606
Balance at end of year	<u>1,437,506</u>	<u>10,144,276</u>

Deferred taxation is due to the following temporary differences:

	<u>2017</u> \$	<u>2016</u> \$
Accelerated capital allowances	2,677,850	2,096,172
Employee benefits obligations	(7,960,500)	520,000
Tax losses	5,121,946	5,042,152
Other	1,598,210	2,485,952
	<u>1,437,506</u>	<u>10,144,276</u>

JAMAICA RACING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

13. DEFERRED INCOME TAXES (CONT'D):

Deferred taxation charged to profit or loss comprises the following temporary differences:

	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
Decelerated capital allowances	581,678	4,713,841
Employee benefits obligations	(4,676,000)	(150,355)
Tax losses	79,793	(20,964)
Other	(887,741)	1,079,084
	<u>(4,902,270)</u>	<u>5,621,606</u>

Deferred taxation recognised in other comprehensive income comprises the following:

	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
Employee benefits obligations	(3,804,500)	(3,777,125)

Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefit through the future taxable periods is probable. Subject to agreement with the Tax Administration Jamaica Department, losses of \$20,487,783 (2016 - \$20,168,609) is available for set off against future profits and may be carried forward indefinitely.

14. EMPLOYEE BENEFITS OBLIGATION:

The Commission and the Betting Gaming and Lotteries Commissions (BGLC) operate a defined benefits pension scheme which is administered by Sagcor Life Jamaica Limited, for all employees, who have satisfied certain minimum service requirements. The Plan is funded by employee's contribution of 5% of their pensionable salary (a voluntary contribution of up to an additional 5% of pensionable salary is allowed) and employer's contribution not exceeding 10% of the employees' pensionable salaries, except where required to cover unfunded liabilities as determined by a capital actuary. The pension payable at the date of retirement is 2% of the employee's pensionable salary at the date of determination multiplied by his pensionable service, at the date of determination.

The actuarial report states "that the assets were allocated between two entities, BGLC and the Commission on the basis of projected benefits obligation. This basis of allocation is not economic because the contribution and premium rates are composite rates and, therefore, the accounts and assets scheduled are purely notional".

The latest actuarial valuation which was carried out as at 31 March 2017 indicated that the plan was adequately funded.

The Pension Plan is legally separate from the commission and is administered by Sagcor Life Jamaica Limited.

JAMAICA RACING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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14. EMPLOYEE BENEFITS OBLIGATION (CONT'D):

The plan is exposed to a number of risks, including:

- Investment risk: movement of discount rate used (Government of Jamaica) against the return from plan assets.
- Interest rate risk: decrease/increase in the discount rate used (Government of Jamaica bonds) will increase/decrease the defined benefit obligation.
- Longevity risk: changes in the estimation of mortality rate of current and former employees.
- Salary risk: Increase in future salaries, increase the gross defined benefit obligation.

The amounts recognized in the statement of financial position in respect of the plan were determined as follows:

Amounts recognised in the statement of financial position in respect of post-retirement employee benefits comprise the following:

	<u>2017</u> \$	<u>2016</u> \$
Present value of obligation	301,278,000	319,321,000
Fair value of plan assets	(358,659,000)	(317,241,000)
Movement in asset ceiling	<u>25,539,000</u>	<u>-</u>
(Asset)/obligation recognised in the statement of financial position	<u>(31,842,000)</u>	<u>2,080,000</u>

The movement in the present value of the defined benefits obligation over the year is as follows

	<u>2017</u> \$	<u>2016</u> \$
Balance at beginning of year	319,321,000	276,974,000
Current service cost	4,360,000	4,899,000
Interest costs	27,554,000	25,319,000
Employees' contributions	2,956,000	3,658,000
Benefits paid	(64,726,000)	(25,270,000)
Value of annuities purchased	37,803,000	3,873,000
Actuarial (gains)/losses arising from:		
Financial assumptions	(14,174,000)	16,847,000
Experience adjustments	<u>(11,816,000)</u>	<u>13,021,000</u>
Balance at end of year	<u>301,278,000</u>	<u>319,321,000</u>

JAMAICA RACING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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14. EMPLOYEE BENEFITS OBLIGATION (CONT'D):

Expense recognized in profit or loss:

	<u>2017</u> \$	<u>2016</u> \$
Current service costs	4,360,000	4,899,000
Interest cost on obligation	27,554,000	25,319,000
Interest income on plan assets	<u>(27,585,000)</u>	<u>(23,785,000)</u>
Total included in staff costs (note 23)	<u>4,329,000</u>	<u>6,433,000</u>

The amounts recognised in other comprehensive income were as follows:

	<u>2017</u> \$	<u>2016</u> \$
Re-measurement of defined benefit obligation	(25,990,000)	29,868,000
Re-measurement of plan assets	<u>(10,248,000)</u>	<u>(50,888,000)</u>
Components of defined benefit income recognised in other comprehensive income	<u>(36,238,000)</u>	<u>(21,020,000)</u>

Principal actuarial assumption at the reporting date (expressed as weighted averages):

	<u>2017</u> %	<u>2016</u> %
Discount rate (J\$)	9.5	9.0
Discount rate (US\$)	5.0	5.0
Future salary increases	6.5	5.5
Future pension increases	3.5	3.5
Inflation rate	<u>6.5</u>	<u>5.2</u>

Expenses - allowance has been made for administrative expenses at the rate of 1% of members' pensionable earnings.

The estimated pension contribution expected to be paid into the plan by the Commission for the next financial year is \$1,610,000 (2016:\$2,617,000).

The distribution of the market value of plan assets by type of security is as follows. The distribution was deemed to be identical to that of the underlying Sagicor Pooled Investment Fund.

JAMAICA RACING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

14. EMPLOYEE BENEFITS OBLIGATION (CONT'D):

	<u>2017</u>	<u>Market Value of Assets</u>	<u>2016</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>
Equity Fund	51	183,300,000	48	151,121,000
Mortgage & Real Estate Fund	13	46,752,000	16	50,648,000
Fixed Income Fund	-	481,000	-	334,000
Money Market Fund	-	1,249,000	1	4,418,000
Foreign Currency Fund	-	1,308,000	5	15,451,000
Inflation Linked Fund	-	2,086,000	-	731,000
Value of Annuities Fund	36	127,879,000	30	94,653,000
Adjustments	-	(4,396,000)	-	(115,000)
	<u>100</u>	<u>358,659,000</u>	<u>100</u>	<u>317,241,000</u>

The actual return on plan assets was \$66,276,000 (2016 - \$77,517,000).

Sensitivity analysis on projected employee benefits obligation:

The calculation of the projected employee benefit obligation is sensitive to the assumption used. The table below summarizes how the projected benefit obligation measured at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by one percent. In calculating the sensitivity to each variable, all others were held constant. The assumptions about the economic variables are somewhat linked as they are all related to inflation.

	<u>2017</u>		<u>2016</u>	
	<u>1% Increase</u>	<u>1% Decrease</u>	<u>1% Increase</u>	<u>1% Decrease</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Discount rate	(19,483,000)	24,494,000	(24,100,000)	30,204,000
Future salary increase	5,987,000	(5,313,000)	6,749,000	(5,937,000)
Future pension increases	<u>29,586,000</u>	<u>(25,183,000)</u>	<u>31,298,000</u>	<u>(26,612,000)</u>

As mortality continues to improve, estimates of life expectancy are expected to increase. The effect on the projected benefit and obligation of an increase of one year in the life expectancy is approximately \$2,627,000. (2016 - \$3,372,000).

Liability duration

	<u>2017</u>	<u>2016</u>
	<u>Years</u>	<u>Years</u>
Active members	36	40
Deferred pensioners	54	39
Retirees	24	22
All participants	<u>29</u>	<u>32</u>

JAMAICA RACING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2017

15. INVENTORIES:

	<u>2017</u> \$	<u>2016</u> \$
Lasix	314,265	784,266
Microchip	<u>1,458,600</u>	<u>452,050</u>
	<u>1,772,865</u>	<u>1,236,316</u>

16. RECEIVABLES:

	<u>2017</u> \$	<u>2016</u> \$
Trade receivables -		
Due from Caymanas Track Limited	60,954,674	90,674,933
Levies receivable	8,000,000	7,155,512
Lasix administration receivable	<u>932,000</u>	<u>2,188,000</u>
	69,886,674	100,018,445
Rental income	15,000	15,000
Other receivables	25,323	25,323
Prepaid expenses	<u>1,539,993</u>	<u>-</u>
	<u>71,466,990</u>	<u>100,058,768</u>

The aging of trade receivables are as follows:

	<u>2017</u> \$	<u>2016</u> \$
0-30 Days	13,547,190	12,613,066
31-60 Days	4,230,471	3,794,506
61-90 Days	4,552,729	4,613,191
Over 90 Days	<u>47,556,284</u>	<u>78,997,682</u>
	<u>69,886,674</u>	<u>100,018,445</u>

17. SHORT-TERM LOANS RECEIVABLE:

These loans are unsecured, bear interest at 0% and 3% per annum and are repayable within one year.

JAMAICA RACING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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18. CASH AND CASH EQUIVALENTS:

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and cash in hand as follows:

	<u>2017</u> \$	<u>2016</u> \$
Cash in hand	30,000	10,000
Cash at bank	<u>20,627,473</u>	<u>18,885,961</u>
	20,657,473	18,895,961
Short-term deposits	<u>11,185,384</u>	<u>1,104,008</u>
	<u>31,842,857</u>	<u>19,999,969</u>

The weighted average interest rate on short-term deposit was 3% (2016 - 3%) and these deposits mature within 180 days (2016 - 180 days).

19. REVALUATION RESERVE:

This represents revaluation surplus on land and building.

20. LONG-TERM LOAN:

	<u>2017</u> \$	<u>2016</u> \$
FINSAC Limited	-	50,000,000
Effect of IFRS re-measurement - IAS 39	<u>-</u>	<u>(7,849,009)</u>
	-	42,150,991
Less: current portion	<u>-</u>	<u>(21,897,567)</u>
	<u>-</u>	<u>20,253,424</u>

This represents an unsecured \$50 million loan received from FINSAC Limited on 15 February 2011, repayable over ten (10) years at an interest rate of 5% per annum on the reducing balance. There was a moratorium on the principal and interest up to 31 March 2012 with scheduled monthly principal and interest payment commencing 30 April 2012. Commission received a debt forgiveness for the entire loan plus interest in February 2017. (see note 9).

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21. PAYABLES:

	<u>2017</u>	<u>2016</u>
	<u>₹</u>	<u>₹</u>
Benevolent Fund	977,525	824,025
Contract payments - University of the West Indies	12,998,887	8,124,304
Statutory deduction	34,995,039	33,222,848
Accrued vacation	4,690,554	6,203,058
Loan interest payable	9,674,198	16,357,146
Levy payable	5,027,393	22,340,304
General Consumption Tax (GCT)	-	527,664
Rent received in advance	300,000	-
Other	<u>8,216,951</u>	<u>6,955,116</u>
	<u>76,880,547</u>	<u>94,554,465</u>

22. SHORT-TERM LOAN PAYABLE:

This represents an unsecured loan received from the Jamaica Racing Commission Benevolent Fund at an interest rate of 8% per annum. There are no fixed repayment terms.

23. STAFF COSTS:

	<u>2017</u>	<u>2016</u>
	<u>₹</u>	<u>₹</u>
Salaries and wages	55,907,414	49,455,534
Allowance and other benefits	26,313,773	29,712,009
Pension (note 14)	4,329,000	6,433,000
Employer's statutory costs	<u>6,565,581</u>	<u>6,296,095</u>
	<u>93,115,768</u>	<u>91,896,638</u>

The number of persons employed by the Commission at the end of the year was 40 (2016 - 44).

24. RELATED PARTY TRANSACTIONS AND BALANCES:

(a) Key management compensation

	<u>2017</u>	<u>2016</u>
	<u>₹</u>	<u>₹</u>
Wages and salaries	15,697,789	18,965,855
Pension	1,097,803	1,257,420
Other	<u>4,376,990</u>	<u>5,236,417</u>
	<u>21,172,582</u>	<u>25,459,692</u>
Commissioners' emoluments -		
Fees	593,000	757,500
Travelling	<u>1,287,180</u>	<u>1,487,408</u>
	<u>1,880,180</u>	<u>2,244,908</u>

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24. RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D):

(b) Transactions between the company and its related company

During the year, the company earned levies of \$50,400,717 (2016 - \$45,636,297) from Caymanas Track Limited (CTL).

(c) Year-end balances arising from transactions with related parties

	<u>2017</u>	<u>2016</u>
Due from -	<u>\$</u>	<u>\$</u>
Caymanas Track Limited (CTL)	<u>60,954,674</u>	<u>90,674,933</u>

This represents the year end balances due from CTL arising mainly from levies payable to the Commission. The balance is included in receivables (note 16). No interest is charged on the balance and there are no fixed terms of payment.

In addition to that stated above, the statement of financial position includes balances, arising in the ordinary course of business, with related parties, as follows:

	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
Key management personnel:		
Short-term loans receivable - staff loan	226,919	455,942
Payables - accrued vacation	1,682,650	2,067,248
Employee benefit obligation - pension	49,000	877,000
Other government agencies:		
Long-term loan	<u>-</u>	<u>50,000,000</u>

25. CONTINGENT LIABILITIES:

The Commission is liable to the Tax Administration Jamaica (TAJ) in respect of interest and penalties on unpaid statutory deductions amounting to \$20,627,316 (2016: \$20,627,316) which is included in statutory deductions payable of \$34,995,039 (2016: \$33,222,848) (see note 21). The TAJ has indicated that the consideration of remission of interest has been deferred until all outstanding principal taxes and penalties have been liquidated.

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25. CONTINGENT LIABILITIES (CONT'D):

Interest and penalties on the outstanding statutory deductions have not been quantified and no provision has been made in the financial statements as the Commission expects to receive a waiver. The unpaid statutory deductions, rates of interest and penalty at the reporting date were as follows:

	<u>2017</u> <u>£</u>	<u>2016</u> <u>£</u>	<u>Interest</u> <u>%</u>	<u>Penalty</u> <u>%</u>
Human Employment and Resource Training (HEART)	3,299,445	2,835,013	20	-
Pay-As-You-Earn (PAYE)	15,260,966	14,753,715	20	up to 50
Education Tax (Ed. Tax)	14,681,101	14,279,305	20	up to 50
National Housing Trust (NHT)	1,038,601	850,393	20	10
National Insurance Scheme (NIS)	<u>714,926</u>	<u>504,422</u>	<u>20</u>	<u>-</u>

26. COMMITMENTS:

The Commission entered into a forty-nine (49) - year land lease agreement with the Urban Development Commission in respect of premises tenanted by the Jockeys School at an annual rental of \$5,000 (see note 4). The unexpired portion of the lease is payable as follows:

	<u>2017</u> <u>£</u>	<u>2016</u> <u>£</u>
Within one year	5,000	5,000
Subsequent years	<u>105,000</u>	<u>110,000</u>
	<u>110,000</u>	<u>115,000</u>

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27. EXPENSES:

Administrative:

	<u>2017</u>	<u>2016</u>
	<u>£</u>	<u>£</u>
Advertising	124,894	230,274
Audit fees - current year	1,353,500	1,230,500
- prior year	-	198,000
Bank charges	385,216	293,548
Computer maintenance	76,139	2,136
Enquiries, appeals and complaints	1,225,300	1,082,250
Finance costs	1,702,287	5,930,654
General Consumption Tax (GCT)	5,143,560	3,353,058
Hall of Fame expenses	1,139,660	436,294
Legal and professional fees	5,042,882	1,785,232
Motor vehicle repairs and maintenance	745,935	486,803
Overseas travelling	727,537	-
Office expenses	3,029,135	2,378,527
Printing and stationery	1,485,268	1,296,328
Publications	215,029	251,767
Racing membership fees	40,480	34,633
Security services	3,821,439	3,371,314
Special entertainment	1,303,587	1,156,468
Sponsorship	339,300	170,000
Telephone, postage and telegrams	<u>2,787,660</u>	<u>1,796,327</u>
	<u>30,688,808</u>	<u>25,484,113</u>

Development:

	<u>2017</u>	<u>2016</u>
	<u>£</u>	<u>£</u>
Benefit/benevolent schemes	153,500	147,375
Equine drug testing	20,818,130	19,572,330
Equine sample collection	4,629,860	4,550,531
Industry Insurance Scheme	(9,176,542)	(918,378)
Human drug testing	162,191	96,915
Lasix supplies	2,366,249	2,294,888
Micro chips supplies	1,909,498	251,034
Miscellaneous	120,000	170,000
Parental verification (blood typing) equine	1,629,617	1,283,323
Race day stewards fees	581,250	1,325,520
Training - Occupational	549,537	4,772,496
Veterinary on-call services	961,232	1,799,031
Website development and maintenance	-	33,761
Stud/Rules Book	<u>501,246</u>	<u>-</u>
	<u>25,205,768</u>	<u>35,378,826</u>

JAMAICA RACING COMMISSION
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27. EXPENSES (CONT'D):

Establishment:

	<u>2017</u> \$	<u>2016</u> \$
Depreciation	5,338,942	5,626,895
Light and power	3,685,655	1,170,608
Repairs to furniture and buildings	4,415,856	1,479,631
Taxes, insurance and water	<u>3,240,745</u>	<u>3,157,546</u>
	<u>16,681,198</u>	<u>11,434,680</u>

Personnel:

	<u>2017</u> \$	<u>2016</u> \$
Salaries, wages and statutory contributions	62,472,995	57,996,537
Canteen	4,108,359	3,206,776
Commissioners' emoluments	1,880,180	2,244,908
Pension	4,329,000	6,433,000
First instance tribunal fees	2,662,118	3,125,910
Group pension and health scheme	4,179,818	3,683,428
Local travelling and upkeep	11,700,443	11,538,339
Staff educational development	2,086,123	4,259,645
Uniforms	1,448,123	1,491,793
Personal accident	<u>128,789</u>	<u>161,210</u>
	<u>94,995,948</u>	<u>94,141,546</u>