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# **Audited Consolidated Financial Statements 31st December 2010**



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**SUPREME VENTURES LIMITED  
AND ITS SUBSIDIARIES**

**YEAR ENDED DECEMBER 31, 2010**

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## INDEPENDENT AUDITORS' REPORT

To the Members of

**SUPREME VENTURES LIMITED**

### Report on the financial statements

We have audited the financial statements of Supreme Ventures Limited (the Company), and the consolidated financial statements of the Company and its subsidiaries (the Group), set out on pages 2 to 69, which comprise the Group's and the Company's statements of financial position as at December 31, 2010, the Group's and the Company's statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Companies Act, 2004 of Jamaica. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Report on the financial statements (Cont'd)**

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at December 31, 2010, and of the Group's and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Report on additional requirements of the Companies Act, 2004 of Jamaica**

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained and the financial statements are in agreement therewith and give the information required by the Companies Act, 2004 of Jamaica in the manner so required.

  
Chartered Accountants

Kingston, Jamaica,  
March 23, 2011

**SUPREME VENTURES LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT DECEMBER 31, 2010**

	<u>Notes</u>	<u>2010</u> \$'000	<u>2009</u> \$'000
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
Property and equipment	5	2,027,292	1,843,767
Goodwill	6	586,644	586,644
Other intangible assets	7	73,299	61,541
Long-term receivable	9	326,622	264,997
Available-for-sale investments	10	1,883	16,939
Investment in joint venture	11	34,221	34,221
Deferred tax assets	12	<u>8,034</u>	<u>17,572</u>
		<u>3,057,995</u>	<u>2,825,681</u>
<b>Current assets</b>			
Income tax recoverable		71,090	-
Other assets	13	5,019	11,042
Inventories	14	134,783	93,443
Trade and other receivables	15	486,558	429,498
Cash and bank balances	17	<u>883,921</u>	<u>1,025,252</u>
		<u>1,581,371</u>	<u>1,559,235</u>
<b>Total assets</b>		<u>4,639,366</u>	<u>4,384,916</u>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Shareholders' equity</b>			
Share capital	18	1,967,183	1,967,183
Capital reserves	19	62,486	62,486
Revaluation reserves	20	159,061	-
Retained earnings		<u>1,135,298</u>	<u>1,083,247</u>
		<u>3,324,028</u>	<u>3,112,916</u>
<b>Non-current liabilities</b>			
Long-term liabilities	21	<u>192,761</u>	<u>127,307</u>
<b>Current liabilities</b>			
Trade and other payables	22	782,739	659,288
Current portion of long-term liabilities	21	118,614	165,489
Prizes liabilities	23	221,224	211,137
Income tax payable		<u>-</u>	<u>108,779</u>
		<u>1,122,577</u>	<u>1,144,693</u>
<b>Total equity and liabilities</b>		<u>4,639,366</u>	<u>4,384,916</u>

The Notes on Pages 10 to 69 form an integral part of the financial statements.

The financial statements on Pages 2 to 69 were approved and authorized for issue by the Board of Directors on March 23, 2011 and are signed on its behalf by:



.....  
Paul Hoo – Chairman



.....  
Brian George – President and CEO

**SUPREME VENTURES LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED DECEMBER 31, 2010**

	<u>Notes</u>	<u>12 Months Ended December 31, 2010</u> \$'000	<u>14 Months Ended December 31, 2009</u> \$'000
Revenue	24	25,419,264	28,167,960
Direct expenses	26	<u>(22,518,341)</u>	<u>(24,599,261)</u>
Gross profit		2,900,923	3,568,699
Operating expenses	27	<u>( 2,198,443)</u>	<u>( 2,381,713)</u>
Profit from operations		702,480	1,186,986
Interest income		72,494	111,189
Net foreign exchange loss	29	( 12,722)	( 632)
Finance costs	30	( 41,608)	( 31,659)
Other gains and losses	31	<u>( 15,056)</u>	<u>-</u>
<b>PROFIT BEFORE TAXATION</b>	32	705,588	1,265,884
Taxation	34	<u>( 284,321)</u>	<u>( 514,682)</u>
<b>PROFIT FOR THE YEAR/PERIOD</b>	35	<u>421,267</u>	<u>751,202</u>
<b>Other comprehensive income</b>			
Gain on revaluation of property		210,592	-
Deferred tax relating to other comprehensive income		<u>( 51,531)</u>	<u>-</u>
Other comprehensive income for the year, net of tax		<u>159,061</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD</b>		<u><u>580,328</u></u>	<u><u>751,202</u></u>
<b>EARNINGS PER STOCK</b>	37		
Basic		<u>0.16</u> Cents	<u>0.29</u> Cents
Diluted		<u>0.16</u> Cents	<u>0.29</u> Cents

The Notes on Pages 10 to 69 form an integral part of the financial statements.

## SUPREME VENTURES LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2010

	<u>Note</u>	<u>Share Capital</u> \$'000	<u>Capital Reserves</u> \$'000	<u>Revaluation Reserves</u> \$'000	<u>Retained Earnings</u> \$'000	<u>Total</u> \$'000
Balance at November 1, 2008		<u>1,967,183</u>	<u>145,767</u>	<u>-</u>	<u>833,123</u>	<u>2,946,073</u>
Profit being total comprehensive income for the 14 months period		<u>-</u>	<u>-</u>	<u>-</u>	<u>751,202</u>	<u>751,202</u>
Dividend paid	40(a)	<u>-</u>	<u>( 83,281)</u>	<u>-</u>	<u>( 501,078)</u>	<u>( 584,359)</u>
Balance at December 31, 2009		<u>1,967,183</u>	<u>62,486</u>	<u>-</u>	<u>1,083,247</u>	<u>3,112,916</u>
Profit for the year		<u>-</u>	<u>-</u>	<u>-</u>	<u>421,267</u>	<u>421,267</u>
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>	<u>159,061</u>	<u>-</u>	<u>159,061</u>
Total comprehensive income for the year		<u>-</u>	<u>-</u>	<u>159,061</u>	<u>421,267</u>	<u>580,328</u>
Dividend paid	40(a)	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 369,216)</u>	<u>( 369,216)</u>
Balance at December 31, 2010		<u>1,967,183</u>	<u>62,486</u>	<u>159,061</u>	<u>1,135,298</u>	<u>3,324,028</u>

The Notes on Pages 10 to 69 form an integral part of the financial statements.

**SUPREME VENTURES LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2010**

	<u>12 Months Ended</u> <u>December 31, 2010</u>	<u>14 Months Ended</u> <u>December 31, 2009</u>
	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit	421,267	751,202
Adjustments for:		
Depreciation of property and equipment	185,590	316,569
Amortization of intangible assets	12,586	4,948
Write-off of property and equipment	7,397	34,578
Gain on disposal of property and equipment	( 27)	( 144)
Other assets written off	6,023	7,027
Write-off of inventory	3,470	-
Unrealized exchange (gain) losses on long-term liabilities	( 10,001)	68,417
Exchange loss (gain) on long-term receivable	16,793	( 55,340)
Effect of exchange rate changes on cash and cash equivalents	3,953	( 21,927)
Other gains and losses	15,056	3,662
Impairment loss recognized on trade receivables	11,880	8,808
Interest income	( 72,494)	( 111,189)
Interest expenses	41,608	31,659
Income tax expenses	<u>284,321</u>	<u>514,682</u>
Operating cash flow before movement in working capital	927,422	1,552,952
Increase in operating assets		
Inventories	( 44,810)	( 44,557)
Trade and other receivables	( 129,365)	( 61,627)
Increase in operating liabilities		
Trade and other payables	122,568	63,117
Prizes liabilities	<u>10,087</u>	<u>102,893</u>
Cash generated by operations	885,902	1,612,778
Income tax paid	( 506,184)	( 665,086)
Interest paid	<u>( 39,039)</u>	<u>( 31,659)</u>
Cash provided by operating activities	<u>340,679</u>	<u>916,033</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	( 166,142)	( 140,184)
Acquisition of intangible assets	( 24,344)	( 11,404)
Proceeds on disposal of property and equipment	249	6,485
Interest received	<u>55,385</u>	<u>87,949</u>
Cash used in investing activities	<u>( 134,852)</u>	<u>( 57,154)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	( 369,216)	( 584,359)
Loans received	299,000	-
Loans repaid	( 247,507)	( 149,417)
Lease obligations paid	<u>( 25,482)</u>	<u>( 27,073)</u>
Cash used in financing activities	<u>( 343,205)</u>	<u>( 760,849)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	( 137,378)	98,030
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD</b>	1,025,252	905,295
Effect of exchange rate changes on the balance of cash held in foreign currency	<u>( 3,953)</u>	<u>21,927</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD</b>	<u>883,921</u>	<u>1,025,252</u>

The Notes on Pages 10 to 69 form an integral part of the financial statements.

## SUPREME VENTURES LIMITED

## STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2010

	<u>Notes</u>	<u>2010</u> \$'000	<u>2009</u> \$'000
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
Property and equipment	5	267,883	257,708
Goodwill	6	189,953	189,953
Other intangible assets	7	1,952	115
Investment in subsidiaries	8	1,668,531	1,248,531
Long-term receivable	9	941,594	557,664
Available-for-sale investments	10	<u>1,883</u>	<u>16,939</u>
		<u>3,071,796</u>	<u>2,270,910</u>
<b>Current assets</b>			
Inventories	14	120,854	76,334
Trade and other receivables	15	171,877	70,708
Due from related parties	16	220,221	685,988
Cash and bank balances	17	<u>72,789</u>	<u>104,373</u>
		<u>585,741</u>	<u>937,403</u>
<b>Total assets</b>		<u><b>3,657,537</b></u>	<u><b>3,208,313</b></u>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Shareholders' Equity</b>			
Share capital	18	1,967,183	1,967,183
Capital reserve	19	62,486	62,486
Revaluation reserve	20	37,733	-
Retained earnings		<u>1,024,593</u>	<u>723,459</u>
		<u>3,091,995</u>	<u>2,753,128</u>
<b>Non-current liabilities</b>			
Long-term liabilities	21	154,000	47,298
Deferred tax liability	12	<u>36,372</u>	<u>7,203</u>
		<u>190,372</u>	<u>54,501</u>
<b>Current liabilities</b>			
Trade and other payables	22	281,405	244,037
Current portion of long-term liability	21	91,856	109,291
Income tax payable		<u>1,909</u>	<u>47,356</u>
		<u>375,170</u>	<u>400,684</u>
<b>Total equity and liabilities</b>		<u><b>3,657,537</b></u>	<u><b>3,208,313</b></u>

The Notes on Pages 10 to 69 form an integral part of the financial statements.

The financial statements on Pages 2 to 69 were approved and authorized for issue by the Board of Directors on March 23, 2011 and are signed on its behalf by:



.....  
Paul Hoo – Chairman



.....  
Brian George – President and CEO

**SUPREME VENTURES LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED DECEMBER 31, 2010**

	<u>Notes</u>	<u>12 Months Ended December 31, 2010</u> \$'000	<u>14 Months Ended December 31, 2009</u> \$'000
Revenue	24	2,272,524	2,294,971
Direct expenses	26	<u>(1,925,566)</u>	<u>(1,856,623)</u>
Gross Profit		346,958	438,348
Dividend income from wholly-owned subsidiary	40(b)	620,000	1,130,000
Operating expenses	27	<u>( 268,706)</u>	<u>( 376,233)</u>
Profit from operations		698,252	1,192,115
Interest income		75,824	133,531
Net foreign exchange gain (loss)	29	4,094	( 33,607)
Finance costs	30	( 33,330)	( 13,515)
Other gains and losses	31	<u>( 15,056)</u>	<u>-</u>
<b>PROFIT BEFORE TAXATION</b>	32	729,784	1,278,524
Taxation	34	<u>( 59,434)</u>	<u>( 51,962)</u>
<b>PROFIT FOR THE YEAR/PERIOD</b>	35	670,350	1,226,562
<b>Other comprehensive income</b>			
Gain on revaluation of property		55,600	-
Deferred tax relating to other comprehensive income		<u>( 17,867)</u>	<u>-</u>
Other comprehensive income for the year, net of tax		<u>37,733</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD</b>		<u>708,083</u>	<u>1,226,562</u>

The Notes on Pages 10 to 69 form an integral part of the financial statements.

**SUPREME VENTURES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED DECEMBER 31, 2010**

	<u>Note</u>	<u>Share Capital \$'000</u>	<u>Capital Reserve \$'000</u>	<u>Revaluation Reserve \$'000</u>	<u>Retained Earnings \$'000</u>	<u>Total \$'000</u>
Balance at November 1, 2008		<u>1,967,183</u>	<u>145,767</u>	<u>-</u>	<u>( 2,025)</u>	<u>2,110,925</u>
Profit being total comprehensive income for the 14 months period		<u>-</u>	<u>-</u>	<u>-</u>	<u>1,226,562</u>	<u>1,226,562</u>
Dividend paid	40(a)	<u>-</u>	<u>( 83,281)</u>	<u>-</u>	<u>( 501,078)</u>	<u>( 584,359)</u>
Balance at December 31, 2009		<u>1,967,183</u>	<u>62,486</u>	<u>-</u>	<u>723,459</u>	<u>2,753,128</u>
Profit for the year		<u>-</u>	<u>-</u>	<u>-</u>	<u>670,350</u>	<u>670,350</u>
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>	<u>37,733</u>	<u>-</u>	<u>37,733</u>
Total comprehensive income for the year		<u>-</u>	<u>-</u>	<u>37,733</u>	<u>670,350</u>	<u>708,083</u>
Dividend paid	40(a)	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 369,216)</u>	<u>( 369,216)</u>
Balance at December 31, 2010		<u>1,967,183</u>	<u>62,486</u>	<u>37,733</u>	<u>1,024,593</u>	<u>3,091,995</u>

The Notes on Pages 10 to 69 form an integral part of the financial statements.

## SUPREME VENTURES LIMITED

## STATEMENT OF CASH FLOWS

## YEAR ENDED DECEMBER 31, 2010

	12 Months Ended December 31, 2010	14 Months Ended December 31, 2009
	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit	670,350	1,226,562
Adjustment for:		
Depreciation of property and equipment	45,878	160,682
Gain on disposal of property and equipment	-	( 86)
Unrealised exchange (gain) loss	( 5,521)	38,278
Effect of exchange rate changes on cash and cash equivalents	190	( 4,694)
Write-off of inventory	3,470	-
Dividend income	(620,000)	(1,130,000)
Impairment of available-for-sale investment	15,056	-
Amortization of intangible assets	684	687
Interest income	( 75,824)	( 133,531)
Interest expenses	33,330	13,515
Income tax expenses	<u>59,434</u>	<u>51,962</u>
Operating cash flows before movement in working capital	127,047	223,375
Increase in inventory	( 47,990)	( 42,351)
Increase in trade and other receivables	( 47,802)	( 45,948)
Decrease (increase) in due from related parties	115,767	( 603,888)
Decrease in trade and other payables	<u>37,369</u>	<u>30,351</u>
Cash generated from (used in) operations	184,391	( 438,461)
Interest paid	( 30,761)	( 13,515)
Income tax paid	<u>( 93,580)</u>	<u>( 64,730)</u>
Cash provided by (used in) operating activities	<u>60,050</u>	<u>( 516,706)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	76,066	133,400
Acquisition of property and equipment	( 453)	-
Acquisition of intangible asset	( 2,521)	-
Proceeds on disposal of property and equipment	-	1,832
Long-term receivable	(437,539)	500
Investment in subsidiary	<u>( 70,000)</u>	<u>( 30,000)</u>
Cash (used in) provided by investing activities	<u>(434,447)</u>	<u>105,732</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend received	620,000	1,130,000
Dividend paid	(369,216)	( 584,359)
Loan received	299,000	-
Loan repaid	<u>(206,781)</u>	<u>( 117,507)</u>
Cash provided by financing activities	<u>343,003</u>	<u>428,134</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>( 31,394)</u>	<u>17,160</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD</b>	104,373	82,519
Effects of exchange rate changes on the balance of cash held in foreign currency	<u>( 190)</u>	<u>4,694</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD</b>	<u><u>72,789</u></u>	<u><u>104,373</u></u>

The Notes on Pages 10 to 69 form an integral part of the financial statements.

**SUPREME VENTURES LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2010****1 IDENTIFICATION**

Supreme Ventures Limited (the company) is a public limited liability company which is listed on the Jamaica Stock Exchange and the Trinidad and Tobago Stock Exchange. The company's registered office is 4<sup>th</sup> Floor, Sagikor Centre, 28-48 Barbados Avenue, Kingston 5.

The main activities of the company are the management of the subsidiary companies and sale of mobile phone pin codes.

The Group comprises the company and its wholly-owned subsidiaries which are all incorporated in Jamaica.

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

<u>Name of Company</u>	<u>Principal Activity</u>	<u>Percentage Ownership</u> %
Supreme Ventures Lotteries Limited and its subsidiary:	Lottery operations	100
Bingo Investments Limited	Lottery operations effective March 15, 2008 - suspended operation	100
Prime Sports (Jamaica) Limited and its wholly-owned subsidiary:	Gaming operations	100
Chillout Ventures Limited	Gaming operations (not yet in operation)	100
Supreme Ventures Financial Services Limited	Foreign exchange dealer services	100
Big 'A' Track 2003 Limited	Sports betting (effective July 17, 2008)	100

Supreme Ventures Lotteries Limited, Prime Sports (Jamaica) Limited and Big 'A' Track 2003 Limited are licensed by the Betting, Gaming and Lotteries Commission to carry out their respective activities.

Supreme Venture Financial Services Limited provides cambio operations under licence by the Bank of Jamaica.

The addition to the entities above, the group also include the following entities which have been put into members' voluntary liquidation:

- Jamaica Lottery Company Limited
- Village Square Entertainment Limited
- Coral Cliff Entertainment Limited

The liquidation process has not yet been completed.

On August 18, 2009, the Betting, Gaming and Lotteries Commission (BGLC) approved the application of the company's subsidiary, Supreme Ventures Lotteries Limited (SVLL) to sell tickets for the Super Lotto Game. See also Note 23(b).

In the prior period the company's management changed its reporting period from October 31, to December 31. Therefore the prior period results cover a 14 months period from November 1, 2008 to December 31, 2009.

These financial statements are expressed in Jamaican dollars which is the functional currency of the Group.

**2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS****(a) *Standards and Disclosures affecting amounts reported in the current period (and/or prior periods)***

There were no standards or interpretations that were applied in the year that affected the presentation and disclosures or the reporting results in these financial statements.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

## 2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

(b) *Standards and Interpretations applied with no effect on financial statements*

Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (as part of *Improvements to IFRS* issued in 2009)

The amendments to IFRS 5 clarify that the disclosure requirements in IFRS other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRS require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements. This change has no impact on the Group's financial statements as it has no non-current assets held for sale or any discontinued operation.

Amendments to IAS 1 *Presentation of Financial Statements* (as part of *Improvements to IFRS* issued in 2009)

The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent.

This amendment has no impact on the Group's financial statements as the Group had no such transaction.

Amendments to IAS 7 *Statement of Cash Flows* (as part of *Improvements to IFRS* issued in 2009)

The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. This amendment has no impact on the financial statements as it was always the Group's policy to classify such expenditures as investing activities.

*IAS 17 (Revised), Leases*

Amendments resulting from April 1, 2009 Annual Improvements to IFRS issued (effective for annual periods beginning on or after January 1, 2010) reflected the deletion of specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of IAS 17.

IAS 27 (revised in 2008) *Consolidated and Separate Financial Statements*

The adoption of IAS 27 (2008) results in changes in accounting for changes in ownership interests in subsidiaries.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the company to derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

The adoption of these amendments has no impact on the financial statements as the Group has no subsidiary that was disposed of during the year.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

## 2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

(b) *Standards and Interpretations applied with no effect on financial statements (Cont'd)*

IAS 28 (Revised in 2008)  
*Investments in Associates*

The principle adopted under IAS 27 (2008) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to IAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

This change in policy has not affected the financial statements as the Group has no investments in associates.

IAS 31 (Revised) *Interest in Joint Ventures*

IAS 31 was consequentially amended arising from amendments to IFRS 3.

IAS 38 (Revised), *Intangible Assets*

Amendments resulting from April 2009 Annual Improvements to IFRS (effective for annual periods beginning on or after July 1, 2009). Consequential amendments arising from IFRS 3 (2008) to clarify the requirements under IFRS 3 (2008) regarding accounting for intangible assets acquired in a business combination.

Amendments to IAS 39 *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*

The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options. This amendment has no impact on the financial statements as the Group has not been involved in any hedged accounting.

Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards - Additional Exemptions for First-time Adopters*

The amendments provide two exemptions when adopting IFRSs for the first time relating to oil and gas assets, and the determination as to whether an arrangement contains a lease.

This amendment has no impact on the financial statements as the Group is not a first-time adopter of IFRS.

Amendments to IFRS 2 *Share-based Payment - Group Cash-settled Share-based Payment Transactions*

The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award. The Group does not conduct such transactions and as such this amendment does not affect these financial statements.

IFRS 2 and IFRS 8

Amendments arising from April 2009 annual improvements to IFRS.

IFRS 3 (Revised), *Business Combinations*

The revised standard provides a comprehensive revision on applying the acquisition method.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

## 2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

(b) *Standards and Interpretations applied with no effect on financial statements (Cont'd)*

Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (as part of *Improvements to IFRS* issued in 2008)

The amendments clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Group is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale. This amendment has no impact on the financial statements as the Group does not have any asset held-for-sale classified under IFRS 5 or as discontinued operations.

*IFRIC 9 (Revised), Reassessment of Embedded Derivatives*

Amendments arising from April 2009 Annual Improvements to IFRS (effective for annual periods beginning on or after July 1, 2009) to confirm that, in addition to business combinations as defined by IFRS 3 (2008), derivatives acquired in the formation of a joint venture and in common control transactions are outside the scope of IFRIC 9.

*IFRIC 16 Hedges of a Net Investment in a Foreign Operation*

Amendments effective July 1, 2009, to clarify that hedging instruments may be held by any entity or entities within the group. This includes a foreign operation that itself is being hedged.

*IFRIC 17 Distributions of Non-cash Assets to Owners*

The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. This interpretation's adoption does not have any impact on the financial statements as the Group has not been involved in any distribution of non-cash assets to business.

(c) *Standards and interpretations in issue not yet effective*

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective for the financial period being reported on:

		Effective for annual periods <u>beginning on or after</u>
<u>New Standards</u>		
IFRS 9	Financial Instruments - Classification and Measurement	January 1, 2013
<u>Revised Standards</u>		
IAS 1, 34 and IFRS 7	Amendments arising from May 2010 Annual Improvements to IFRS	January 1, 2011
IAS 24 (Revised)	Related Party Disclosures - Revised definition of related parties	January 1, 2011
IAS 27 and IFRS 3	Amendments arising from May 2010 Annual Improvements to IFRS	July 1, 2010
IAS 32	Financial Instruments: - Amendment relating to classification of rights issue	February 1, 2010

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

## 2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

(c) *Standards and interpretations in issue not yet effective (Cont'd)*

		Effective for annual periods <u>beginning on or after</u>
Amendments to IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	July 1, 2010
Amendments to IFRS 7	Disclosures - Transfers of Financial Assets	July 1, 2011
IFRS 9 (as amended in 2010)	Financial Instruments	January 1, 2013
Amendments to IAS 32	Classification of Rights Issues	February 1, 2010
<u>New and Revised Interpretations</u>		
IFRIC 13 (Revised)	Amendments arising from May 2010 Annual Improvements to IFRS	January 1, 2011
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement	January 1, 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

The Board of Directors and management have assessed the impact of all the new and revised Standards and Interpretations in issue not yet effective and have concluded that the following are relevant to the operations of the Group:

New and Revised Standards and Interpretations in issue not yet effective that are relevant

- Amendment specifically to *IAS 1* and *IFRS 7* resulting from the May 2010 Annual Improvements to *IFRS* is not expected to have any significant impact on the Group's financial statements on adoption at their respective effective dates.
- *IAS 24 (Revised 2009) Related Party Disclosures* - Amendment to *IAS 24* allows for a partial exemption from the disclosures requirements for transactions between a government - controlled reporting entity and that government or entities controlled by that government. The revision also resulted in an amendment to the definition of related party. On adoption at its effective date, the revised standard is not expected to have a significant impact on the Group's financial statements.
- The amendments to *IFRS 7* titled *Disclosures - Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to *IFRS 7* will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

- *IFRS 9 - Financial Instruments: Classification and Measurement* - *IFRS 9* introduces new requirements for classifying and measuring financial assets. On adoption at its effective date, the standard is not expected to have a significant impact on the company's financial statements.

**SUPREME VENTURES LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2010****3 SIGNIFICANT ACCOUNTING POLICIES****3.1 Statement of compliance**

The Group's financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) and the Companies Act, 2004 of Jamaica.

**3.2 Basis of preparation**

The Group's financial statements have been prepared on the historical cost basis except for the revaluation of freehold land and buildings. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

The principal accounting policies are set out below:

**3.3 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

**3.3.1 Changes in the Group's ownership interests in existing subsidiaries**

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as the company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

**3.4 Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

## 3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

## 3.4 Business combinations (Cont'd)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payments*; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Noncurrent Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to January 1, 2010 were accounted for in accordance with the previous version of IFRS 3.

**SUPREME VENTURES LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2010****3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****3.5 Investment in joint venture**

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

The Group records its interest in joint venture using the equity method. Under the equity method investment in joint venture is initially recognized at cost and the carrying amount is increased or decreased to recognise the Group's share of profit or loss after the date of acquisition.

**3.6 Property and equipment**

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Property in the course of construction for production or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets commences when the assets are ready for their intended use.

Depreciation on revalued buildings is recognized in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Other property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and capital work-in-progress, over the estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**SUPREME VENTURES LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2010****3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****3.7 Goodwill**

Goodwill arising on the acquisition of a business is carried at cost as established as of the date of the acquisition of the business (see 3.4 above) less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

Cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is recognized directly in profit or loss in the consolidated Statement of Comprehensive Income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**3.8 Intangible assets****3.8.1 Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

**3.8.2 Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

**3.8.3 Derecognition of intangible assets**

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

**SUPREME VENTURES LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2010****3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****3.9 Impairment of tangible and intangible assets other than goodwill**

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to cash generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount in which case the reversal of the impairment loss is treated as a revaluation increase.

**3.10 Other assets**

These are stated at the lower of cost, and net realizable value.

**3.11 Inventories**

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in, first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**3.12 Financial instruments**

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

## 3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

## 3.13 Financial assets

Financial assets are classified into the following specified categories: 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and de-recognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

3.13.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

3.13.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivable (including long-term trade and other receivables related party balances and cash and bank balances) are measured at amortised cost using the effective interest method less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.13.3 Available-for-sale investments (AFS financial assets)

AFS financial assets are non-derivative that are either designated as AFS or are not classified as loans and receivables. The Group has investments in unlisted shares that are not traded in an active market but are classified as AFS financial assets and stated at fair value at the end of each reporting period, except where fair value cannot be reliably determined, they are stated at cost. Fair value is determined in the manner described in Note 42.8. Gains and losses arising from changes in fair value are recognized directly in equity, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit and loss. Where the investment is disposed of or is determined to be impaired the cumulative gain or loss previously recognized in equity is included in profit or loss for the period.

Dividends on AFS equity instruments are recognised in profit and loss when the Group's right to receive the dividends is established.

3.13.4 Impairment of financial assets

Financial assets are assessed for indication of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

## 3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.13 *Financial assets (Cont'd)*3.13.4 Impairment of financial assets (Cont'd)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are in addition assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 7 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of comprehensive income.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit and loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

## 3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.13 *Financial assets (Cont'd)*3.13.5 De-recognition of financial assets

The Group de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On de-recognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.14 **Financial liabilities and equity instruments issued by the Group**3.14.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.14.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

3.14.3 Financial liabilities

Financial liabilities of the Group are classified as other financial liabilities.

Other financial liabilities (including borrowings, trade and other payables and prize liabilities) are subsequently measured at amortised cost using the effective interest method.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

## 3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

## 3.14 Financial liabilities and equity instruments issued by the Group (Cont'd)

3.14.3 Financial liabilities (Cont'd)

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3.14.4 De-recognition of financial liabilities

The Group de-recognizes financial liability when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying values of the financial liability de-recognised and the consideration paid and payable is recognized in profit or loss.

## 3.15 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

3.15.1 Current tax

The tax currently payable is based on taxable profits for the period. Taxable profit differs from profit as reported in the statement of comprehensive income (income statement) because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the end of the reporting period.

3.15.2 Deferred tax

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

3.15.3 Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

**SUPREME VENTURES LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2010****3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****3.16 Revenue**

Revenue represents the gross proceeds of the lottery games, Cash Pot, Lucky 5, Dollaz, Pick 3, Lotto, Prime Time Bingo, Pick 2, Super Lotto and Instant Games, pin code sales, income earned from remittance and foreign exchange dealer services, sports betting, proceeds from hospitality and gaming operations by the Group. Revenue is recognized as follows:

**3.16.1 Lottery**

Ticket sales - lottery games are sold to the public by contracted retail agents. Revenue is recognized when tickets are sold to players.

Unclaimed prizes - in keeping with clause number 28 of the licence, winning tickets must be redeemed within 90 days of the relevant draw unless otherwise notified. Any valid winning ticket presented after the expiration of this period may be paid provided payment is made within 180 days of the draw, after which prizes may be paid only with written approval of BGLC. Fifty percent (50%) of unclaimed prizes (net of taxes where applicable) are transferred to revenue and the remainder is paid over to the CHASE Fund.

**3.16.2 Gaming** - Revenue is recorded based on the cash value of tokens cleared from the drop box (drop tokens), roulette credits sold to customers, the cash bills cleared from the bill receptor (drop cash), the payouts made to customers and the net movement in the machines' token stock levels.

**3.16.3 Hospitality**

Hospitality and related services - revenue is recognised when the service is provided.

**3.16.4 Financial services**

Revenue for remittance services - revenue is recognized at the point of receipt of funds for remittance by Moneygram International - (a sent fee) and at the point of pay out by the agents - (commission income).

Foreign exchange trading - revenue comprises net gains from foreign exchange trading and is accounted for on the accrual basis.

**3.16.5 Pin codes**

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

**3.16.6 Sports Betting**

Revenue represents the gross sales of the bets taken on international sporting events at all branches, net of refunds.

**3.16.7 Interest revenue**

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

**SUPREME VENTURES LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2010****3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****3.17 Segment reporting**

A segment is a distinguishable component of the Group that is engaged in either providing products or services. "Segment information is presented in respected of the Group's business. The primary format for business segments is based on the Group's management and internal reporting structure. Segments results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

The activities of the Group are organized into the following primary segments:

- (a) Lottery
- (b) Gaming and hospitality
- (c) Financial services
- (d) Sports betting
- (e) Pin codes and other

**3.18 Foreign currencies**

The financial statements of the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of the Group, transactions in currencies other than the Group's functional currency, the Jamaican dollar, are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlements of monetary items of income, are included in the statement of comprehensive income.

**3.19 Leases**

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss over the lease period.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

**SUPREME VENTURES LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2010****3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****3.20 Dividends**

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

**3.21 Retirement benefit costs**

Contributions to the defined contribution retirement benefit plan are recognized as an expense when employees have rendered service entitling them to the contributions.

**3.22 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

**Critical judgements in applying the Group's accounting policies**

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognized in the financial statements.

**Goodwill**

As described in Note 6 to the financial statements goodwill arising on acquisition at the date of the statement of financial position amounts to \$586.6 million. The directors and management have carried out an assessment and have made a judgement that goodwill that exists at the reporting date is not impaired, and no adjustments have been made to recognize any losses.

**Deferred tax assets**

As described in Note 12, the financial statements include a deferred tax assets of the Group of \$97.5 million representing tax benefits of tax losses available for set-off against future taxable profits. The judgement made by the directors and management is that based on the continuing reorganization plans and projections of the Group, the subsidiary currently operating at a loss will return to profitability and therefore the deferred tax asset is realizable in the future.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

## 4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

**Key sources of estimation uncertainty**

Except as noted below there were no other key assumptions concerning the future, and other key source of estimation uncertainty at the balance sheet date that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Income taxes**

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were originally recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made (see Notes 12 and 34).

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

## 5 PROPERTY AND EQUIPMENT

	The Group												
	Freehold Land (At Valuation) \$'000	Freehold Buildings (At Valuation) \$'000	Leasehold Buildings \$'000	Leasehold Improvements \$'000	Machinery & Equipment \$'000	Video Lottery Terminal Equipment \$'000	Furniture, Fixtures & Equipment \$'000	Computer Equipment \$'000	Motor Vehicles \$'000	Arts & Paintings \$'000	Signs & Posters \$'000	Capital Work in Progress \$'000	Total \$'000
<b>Cost/Valuation</b>													
November 1, 2008	133,000	869,980	120,348	311,095	208,403	475,867	402,981	19,549	70,589	2,363	24,928	2,154	2,641,257
Additions	-	-	-	17,646	11,225	54,035	14,705	1,747	34,729	-	-	6,097	140,184
Asset write-off	-	-	-	( 33,001)	( 989)	( 45,332)	-	-	-	-	-	-	( 79,322)
Transfers	-	-	-	2,154	-	-	-	-	-	-	-	( 2,154)	-
Adjustment	-	-	-	-	-	-	( 39)	-	-	-	-	-	( 39)
Disposals	-	-	-	-	( 117)	-	( 1,306)	-	(20,326)	-	-	-	( 21,749)
December 31, 2009	133,000	869,980	120,348	297,894	218,522	484,570	416,341	21,296	84,992	2,363	24,928	6,097	2,680,331
Revaluation increase	56,000	67,120	-	-	-	-	-	-	-	-	-	-	123,120
Additions	-	-	-	13,811	1,108	-	29,085	5,091	-	-	96	116,951	166,142
Asset write-off	-	-	-	-	( 14,594)	( 17,089)	-	-	-	-	-	-	( 31,683)
Transfers	-	-	-	36,106	35,456	38,792	12,694	-	-	-	-	(123,048)	-
Disposals	-	-	-	-	( 222)	-	-	-	-	-	-	-	( 222)
December 31, 2010	<u>189,000</u>	<u>937,100</u>	<u>120,348</u>	<u>347,811</u>	<u>240,270</u>	<u>506,273</u>	<u>458,120</u>	<u>26,387</u>	<u>84,992</u>	<u>2,363</u>	<u>25,024</u>	<u>-</u>	<u>2,937,688</u>
<b>Depreciation</b>													
November 1, 2008	-	41,470	3,009	76,419	84,584	107,104	199,679	16,359	26,759	-	24,803	-	580,186
Charge for the period	-	24,791	3,510	36,919	94,426	107,942	26,397	2,233	20,303	-	48	-	316,569
Asset write-off	-	-	-	( 15,393)	( 153)	( 29,198)	-	-	-	-	-	-	( 44,744)
Eliminated on disposals	-	-	-	-	( 35)	-	( 169)	-	(15,204)	-	-	-	( 15,408)
December 31, 2009	-	66,261	6,519	97,945	178,822	185,848	225,907	18,592	31,858	-	24,851	-	836,603
Charge for the year	-	21,250	3,008	30,539	22,430	69,345	20,674	2,781	15,524	-	39	-	185,590
Eliminated on revaluation	-	( 87,511)	-	-	-	-	-	-	-	-	-	-	( 87,511)
Asset write-off	-	-	-	-	( 9,137)	( 15,149)	-	-	-	-	-	-	( 24,286)
December 31, 2010	<u>-</u>	<u>-</u>	<u>9,527</u>	<u>128,484</u>	<u>192,115</u>	<u>240,044</u>	<u>246,581</u>	<u>21,373</u>	<u>47,382</u>	<u>-</u>	<u>24,890</u>	<u>-</u>	<u>910,396</u>
<b>Carrying amount</b>													
December 31, 2010	<u>189,000</u>	<u>937,100</u>	<u>110,821</u>	<u>219,327</u>	<u>48,155</u>	<u>266,229</u>	<u>211,539</u>	<u>5,014</u>	<u>37,610</u>	<u>2,363</u>	<u>134</u>	<u>-</u>	<u>2,027,292</u>
December 31, 2009	<u>133,000</u>	<u>803,719</u>	<u>113,829</u>	<u>199,949</u>	<u>39,700</u>	<u>298,722</u>	<u>190,473</u>	<u>2,704</u>	<u>53,134</u>	<u>2,363</u>	<u>77</u>	<u>6,097</u>	<u>1,843,767</u>

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

## 5 PROPERTY AND EQUIPMENT (Cont'd)

Assets write-off represents machinery and equipment and VLT equipment in the current year and leasehold improvements and VLT equipment in the prior year that were written-off as a result of the discontinuation of usage.

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

Freehold buildings	- 40 years
Leasehold improvements	- Over the life of the leases
Machine & equipment	- 10 years
Video Lottery Terminal equipment	- 5-10 years
Furniture, fixtures and office equipment	- 3-10 years
Computer equipment	- 3-5 years
Motor vehicles	- 5-8 years
Signs and posters	- 5 years

No depreciation is provided on freehold land, art and paintings.

Freehold land and buildings are carried at fair value.

An independent valuation of the Group's land and buildings were performed by Property Consultants Limited to determine the fair values of the land and buildings. The valuation, which conforms to International Valuation Standards were determined by reference to the open market values for similar properties. The effective date of the valuation was December 31, 2010.

The carrying amounts at December 31, 2009, were based on an independent valuation of the Group's land and buildings that were carried out by Allison Pitter & Company as follows:

Property owned by the subsidiary - effective date of valuation; January 28, 2008

Property owned by the company - effective date of valuation; February 21, 2008

Had the Group's land and buildings been measured on a historical cost basis, their carrying amount would have been as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Freehold land	24,515	24,515	5,114	5,114
Freehold buildings	<u>151,474</u>	<u>156,467</u>	<u>23,184</u>	<u>24,083</u>
	<u>175,989</u>	<u>180,982</u>	<u>28,298</u>	<u>29,197</u>

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

## 5 PROPERTY AND EQUIPMENT (Cont'd)

	The Company											Total \$'000
	Freehold Land (At (Valuation) \$'000	Freehold Buildings (At (Valuation) \$'000	Leasehold Improvements \$'000	Video Lottery Terminal Equipment \$'000	Machinery & Equipment \$'000	Furniture, Fixtures and Office Equipment \$'000	Computer Equipment \$'000	Motor Vehicles \$'000	Roadway and Fencing \$'000	Art and Paintings \$'000	Signs and Posters \$'000	
<b>Cost/Valuation</b>												
November 1, 2008	13,000	15,000	22,417	327,475	193,871	46,580	16,459	33,549	1,130	2,363	24,642	696,486
Disposal	-	-	-	-	-	-	-	(16,572)	-	-	-	( 16,572)
December 31, 2009	13,000	15,000	22,417	327,475	193,871	46,580	16,459	16,977	1,130	2,363	24,642	679,914
Revaluation increase	2,000	52,100	-	-	-	-	-	-	-	-	-	54,100
Addition	-	-	-	-	-	453	-	-	-	-	-	453
December 31, 2010	<u>15,000</u>	<u>67,100</u>	<u>22,417</u>	<u>327,475</u>	<u>193,871</u>	<u>47,033</u>	<u>16,459</u>	<u>16,977</u>	<u>1,130</u>	<u>2,363</u>	<u>24,642</u>	<u>734,467</u>
<b>Depreciation</b>												
November 1, 2008	-	417	18,864	46,023	112,237	33,768	15,678	24,470	266	-	24,627	276,350
Charge for the year	-	583	3,164	68,540	80,237	3,389	702	4,019	33	-	15	160,682
Eliminated on disposal	-	-	-	-	-	-	-	(14,826)	-	-	-	( 14,826)
December 31, 2009	-	1,000	22,028	114,563	192,474	37,157	16,380	13,663	299	-	24,642	422,206
Charge for the year	-	500	261	39,518	951	2,617	79	1,924	28	-	-	45,878
Eliminated on revaluation	-	( 1,500)	-	-	-	-	-	-	-	-	-	( 1,500)
December 31, 2010	-	-	<u>22,289</u>	<u>154,081</u>	<u>193,425</u>	<u>39,774</u>	<u>16,459</u>	<u>15,587</u>	<u>327</u>	-	<u>24,642</u>	<u>466,584</u>
<b>Carrying amount</b>												
December 31, 2010	<u>15,000</u>	<u>67,100</u>	<u>128</u>	<u>173,394</u>	<u>446</u>	<u>7,259</u>	<u>-</u>	<u>1,390</u>	<u>803</u>	<u>2,363</u>	<u>-</u>	<u>267,883</u>
December 31, 2009	<u>13,000</u>	<u>14,000</u>	<u>389</u>	<u>212,912</u>	<u>1,397</u>	<u>9,423</u>	<u>79</u>	<u>3,314</u>	<u>831</u>	<u>2,363</u>	<u>-</u>	<u>257,708</u>

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

## 5 PROPERTY AND EQUIPMENT (Cont'd)

Annual depreciation rates are based on the following useful lives:

Freehold buildings	-	40 years
Leasehold improvements	-	Over the life of the lease
Video Lottery Terminal equipment	-	10 years
Furniture, fixtures and office equipment	-	10 years
Computer equipment	-	3 years
Motor vehicles	-	5 years
Machinery & gaming equipment	-	5 - 15 years
Signs and posters	-	5 - 10 years

No depreciation is provided on freehold land, art and paintings.

## 6 GOODWILL

	<u>The Group</u>		<u>The Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Acquired goodwill	<u>586,644</u>	<u>586,644</u>	<u>189,953</u>	<u>189,953</u>

The impairment test is carried out by comparing the recoverable amount of the Group's cash generating units (CGUs) to which goodwill has been allocated, to the carrying amount of those CGUs plus goodwill. For the purposes of the impairment assessment, goodwill has been allocated to the Group's cash generating units as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Gaming operations	381,728	381,728	-	-
Lottery operations	189,953	189,953	189,953	189,953
Financial services	<u>14,963</u>	<u>14,963</u>	<u>-</u>	<u>-</u>
	<u>586,644</u>	<u>586,644</u>	<u>189,953</u>	<u>189,953</u>

Management has determined that the remaining goodwill balance at December 31, 2010 is not impaired based on assessments of the recoverable amounts of the CGUs. The assessments were carried out as described below.

Gaming operation

The recoverable amount of this cash generating unit which represents the operations of the gaming lounges is determined based on value in use calculation which uses cash flow projections based on financial budgets approved by the directors, covering a period of seven years. A discount rate of 12% (2009: 16% per annum) was used in the calculation.

Cash flow projections during the budget period are based on improved net cash inflows due to operational improvements at the gaming lounges. The cash flows beyond the seven year period have been extrapolated using a steady 5% (2009: 5%) per annum growth rate in estimating the continuing value of the cash generating unit. The directors believe that any reasonably possible change in key assumption on which the recoverable amount is based would not cause the aggregate carrying value to exceed the aggregate recoverable amount of the cash generating unit.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

## 6 GOODWILL (Cont'd)

Lottery operation

This cash generating unit represents certain lottery games promoted by the Group. These lottery games are profitable and the assumption that these games will continue to be profitable, formed the basis for management's assessment.

Financial services

This cash generating unit represents the activities of the subsidiary, Supreme Ventures Financial Services Limited. The operation of this entity remains profitable and the assumption that the financial services undertaken by the entity will continue to be profitable, formed the basis for management's assessment.

## 7 OTHER INTANGIBLE ASSETS

	The Group			The Company
	Computer Software \$'000	Licences \$'000	Total \$'000	Computer Software \$'000
<b>Cost</b>				
November 1, 2008	23,373	49,044	72,417	6,298
Additions	<u>11,404</u>	<u>-</u>	<u>11,404</u>	<u>-</u>
December 31, 2019	34,777	49,044	83,821	6,298
Additions	<u>24,344</u>	<u>-</u>	<u>24,344</u>	<u>2,521</u>
December 31, 2010	<u>59,121</u>	<u>49,044</u>	<u>108,165</u>	<u>8,819</u>
<b>Amortisation</b>				
November 1, 2008	17,332	-	17,332	5,496
Charge for the year	<u>4,948</u>	<u>-</u>	<u>4,948</u>	<u>687</u>
December 31, 2009	22,280	-	22,280	6,183
Charge for the year	<u>7,355</u>	<u>5,231</u>	<u>12,586</u>	<u>684</u>
December 31, 2010	<u>29,635</u>	<u>5,231</u>	<u>34,866</u>	<u>6,867</u>
<b>Carrying Amount</b>				
December 31, 2010	<u>29,486</u>	<u>43,813</u>	<u>73,299</u>	<u>1,952</u>
December 31, 2009	<u>12,497</u>	<u>49,044</u>	<u>61,541</u>	<u>115</u>

Computer software

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

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

## 7 OTHER INTANGIBLE ASSETS (Cont'd)

## Licences

Licences represent cost of acquisitions through subsidiaries as detailed below:

	<u>The Group</u>	
	<u>2010</u>	<u>2009</u>
	\$'000	\$'000
Chillout Ventures Limited	26,155	26,155
Amortization	( 5,231)	-
	20,924	26,155
Big 'A' Track 2003 Limited	<u>22,889</u>	<u>22,889</u>
	<u>43,813</u>	<u>49,044</u>

Chillout Ventures Limited has a licence to promote gaming operations. The cost of this licence is being amortised over the estimated useful life which is deemed to be five years.

Big 'A' Track 2003 Limited holds permit to promote sports betting. The cost of this licence will be amortised over its useful life of five years commencing 2011.

## 8 INVESTMENT IN SUBSIDIARIES

## 8.1 Investments in subsidiaries at cost include:

	<u>The Company</u>	
	<u>2010</u>	<u>2009</u>
	\$'000	\$'000
Supreme Ventures Lotteries Limited (see 8.2 below)	1,000	1,000
Supreme Ventures Financial Services Limited (see 8.3 below)	20,723	20,723
Jamaica Lottery Holdings Limited (see 8.3 below)	750	750
Big 'A' Track 2003 Limited (see 8.4 below)	122,889	52,889
Prime Sports (Jamaica) Limited (see 8.5 below)	<u>1,523,169</u>	<u>1,173,169</u>
	<u>1,668,531</u>	<u>1,248,531</u>

8.2 As a consequence of the arrangement with BGLC (see Note 1), the company acquired the controlling interest of Supreme Ventures Lotteries Limited (SVLL) (previously Supreme Ventures Holdings Limited) which was held by the major shareholders of the company.

The company has signed a guarantee for an amount of J\$500 million on behalf of the subsidiary as required under the arrangements with BGLC. This requirement is based on the licence granted to promote and operate lottery games which states that the licensee is required to have an equity capitalization of not less than \$500 million.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

## 8 INVESTMENT IN SUBSIDIARIES (Cont'd)

- 8.3 On April 3, 2008, the company entered into a scheme of reconstruction and amalgamation of certain subsidiaries within the group.

Under the agreement, the company being the 100% beneficial shareholder of the issued capital in Jamaica Lottery Company Limited (JLC), amalgamated all the assets and liabilities of JLC with those of the company. JLC ceased operations and was put in members' voluntary liquidation. At reporting date the process of liquidation was not completed.

As part of the amalgamation of the assets of JLC, the company became the beneficial owner of the issued capital of Supreme Ventures Financial Services Limited and Jamaica Lottery Holdings Limited.

- 8.4 Investment in Big 'A' Track 2003 Limited

	<u>2010</u> \$'000	<u>2009</u> \$'000
Balance January 1, 2010/November 1, 2008	52,889	22,889
Capital injection	<u>70,000</u>	<u>30,000</u>
Balance December 31	<u>122,889</u>	<u>52,889</u>

- i) Additional shares of 3,349,998 and 26,650,000 were allotted on September 18, 2008 and November 30, 2009 respectively.
- ii) By an ordinary resolution filed in August 2010, the ordinary share capital of the subsidiary was increased to 100,000,000 shares of no par value by the creation of 70,000,000 new ordinary shares of no par value.
- iii) Arising from the increase in the authorized share capital, 70,000,000 ordinary shares were allotted to the company as full consideration for J\$70 million in cash.

- 8.5 Investment in Prime Sports (Jamaica) Limited

	<u>2010</u> \$'000	<u>2009</u> \$'000
Balance January 1, 2010/November 1, 2008	1,173,169	1,173,169
Capital injection	<u>350,000</u>	<u>-</u>
December 31	<u>1,523,169</u>	<u>1,173,169</u>

By an ordinary resolution filed in January 2010, the ordinary share capital of the subsidiary was increased to 1,150,000,000 shares of no par value by the creation of 350,000,000 new ordinary shares of no par value

Arising from the increase in the authorized share capital, 350,000,000 ordinary shares were allotted to the company as full consideration for repayment of related party balances of J\$350 million.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

## 9 LONG-TERM RECEIVABLES

9.1 These include:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
SGL BVI Limited (US\$4,660,324 (2009: US\$4,463,453 (see Note 9.2 below)	397,496	397,496	-	-
Prime Sports (Jamaica) Limited Debentures (see Note 9.3 below)	-	-	557,664	558,164
Loans (see Note 9.4 below)	<u>-</u>	<u>-</u>	<u>438,039</u>	<u>-</u>
	397,496	397,496	995,703	558,164
Less: Current portion included in other receivables (Note 15)	<u>( 70,874)</u>	<u>(132,499)</u>	<u>( 54,109)</u>	<u>( 500)</u>
Long-term receivables	<u>326,622</u>	<u>264,997</u>	<u>941,594</u>	<u>557,664</u>

9.2 SGL BVI Limited

The balance represents advances to SGL BVI Limited (SGL BVI) a company incorporated in the British Virgin Islands. SGL BVI is a subsidiary of Supreme Gaming Limited, a company incorporated under the laws of the State of Florida, USA. The advances were towards the development of gaming activities in the Caribbean and the Latin American region, including Jamaica. The development projects are to be undertaken in partnership with Intralot S.A. of Greece, through its subsidiary, Intralot Caribbean Ventures Limited (Intralot).

The balance outstanding at December 31, 2010 includes interest accrued at a rate of 4.4% annum amounting to US\$196,871 (J\$16.793 million) for year ended December 31, 2010. SGL BVI has confirmed that a payment of US\$800,000 will be made before the end of March 2011. The balance outstanding thereafter amounting to \$3,860,324 will be serviced under an Electronic Gaming Machine Framework Agreement dated March 3, 2011 between Intralot and the Company and a Project Service Agreement dated March 11, 2011 between SGL BVI and Intralot. Interest will accrue on outstanding balance at a rate of 3 months LIBOR.

Based on the repayment plan an amount of \$70.87 million has been determined as the current portion of the outstanding balance at December 31, 2010.

9.3 Prime Sports (Jamaica) Limited - Debenture

Under the scheme of reorganization and amalgamation detailed in Note 1 and Note 8.3 the company acquired two debentures issued by Jamaica Lottery Company Limited (JLC) to Prime Sports (Jamaica) Limited (PSJL) for JLC's beneficial interest in Coral Cliff Entertainment Limited and Village Square Entertainment Limited now amalgamated to PSJL.

The debentures will each be for a term of twenty-one (21) years, payable by 20 interim annual installments of J\$250,000 each on March 31<sup>st</sup> of each year (commencing on March 31, 2009), and a final installment of the remaining unpaid balance of the principal sum on March 31, 2029.

The original terms of the debentures required that interest be charged on the principal sum of a variable rate which is 1% below the weighted average yield on Government of Jamaica 6 months Treasury Bills. However, as at January 1, 2010 the interest to be charged on the debentures was renegotiated with the subsidiary and agreed to be at a rate of 8% per annum, reviewed quarterly and to be paid quarterly.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

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

## 9.4 Prime Sports (Jamaica) Limited - Loans

	<u>2010</u> \$'000
Loan 1 (a below)	243,372
Loan 2 (b below)	<u>194,667</u>
	438,039
Current portion	( 53,609)
Long-term portion	<u>384,430</u>

These represent portions of the related party balances due from subsidiary, Prime Sports (Jamaica) Limited as at January 1, 2010 which have been restructured into long-term loan agreements.

	<u>2010</u> \$'000
(a) Loan # 1 (Principal - J\$250,000,000)	<u>243,372</u>
The loan is repayable as follows:	
Within one year	12,052
In the second year	10,337
In third to fifth year inclusive	36,450
Later than five years	<u>184,533</u>
	243,372
Less: Current portion (shown under current assets)	( 12,052)
Amount due for settlement after 12 months	<u>231,320</u>

The loan is repayable in monthly installments of J\$2,389,130, at interest rate of 8% per annum. The loan is repayable by 2024.

	<u>2010</u> \$'000
(b) Loan # 2 (Principal - J\$194,666,917)	<u>194,667</u>
The loan is repayable as follows:	
Within one year	41,557
In the second year	34,272
In third to fifth year inclusive	<u>118,838</u>
	194,667
Less: current portion (shown under current assets)	( 41,557)
Amount due for settlement after 12 months	<u>153,110</u>

The loan is repayable in monthly installments of J\$4,281,233, at interest rate 8% per annum. The loan is repayable by 2015.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

## 10 AVAILABLE-FOR-SALE INVESTMENTS

These include:

Unquoted investments

	<u>The Group and The Company</u>	
	<u>2010</u>	<u>2009</u>
	\$'000	\$'000
Balance b/f	16,939	16,939
Impairment adjustment (see Note 31)	(15,056)	-
Unquoted investments	<u>1,883</u>	<u>16,939</u>

These are stated at cost less impairment as there is no basis to assess the fair market value.

During the year an impairment assessment was carried out using the net assets value and profitability of this entity and an adjustment was made accordingly to recognize an impairment of the investment.

## 11 INVESTMENT IN JOINT VENTURE

This represents cost of acquisition of a share of Jonepar Development Limited, a joint venture. The joint venture owns a parcel of land in Montego Bay which is used as a parking facility for the customers of the Coral Cliff gaming lounge and the other venturer. The net operating results of the joint venture since the acquisition date are not material and as a result the investment is stated at cost.

## 12 DEFERRED TAXATION

These comprise:

	<u>The Group</u>		<u>The Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	98,844	46,286	857	12,759
Less: Deferred tax liabilities	(90,810)	(28,714)	(37,229)	(19,962)
	<u>8,034</u>	<u>17,572</u>	<u>(36,372)</u>	<u>(7,203)</u>

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Opening balance	17,572	2,619	(7,203)	(38,392)
Charge to equity for the year (Note 20)	(51,531)	-	(17,867)	-
Credited (charged) to income for the period (Note 34)	<u>41,993</u>	<u>14,953</u>	<u>(11,302)</u>	<u>31,189</u>
Closing balance	<u>8,034</u>	<u>17,572</u>	<u>(36,372)</u>	<u>(7,203)</u>

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

## 12 DEFERRED TAXATION (Cont'd)

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

**Deferred Tax Assets**

The Group

	<u>Tax Losses</u>	Vacation Leave <u>Payable</u>	Interest <u>Payable</u>	Unrealised Foreign Exchange <u>Losses</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
November 1, 2008	37,251	1,913	-	4,456	43,620
Credited (charged) to income for the period	<u>4,164</u>	<u>(1,300)</u>	<u>-</u>	<u>( 198)</u>	<u>2,666</u>
December 31, 2009	41,415	613	-	4,258	46,286
Credited (charged) to income for the year	<u>56,164</u>	<u>( 205)</u>	<u>857</u>	<u>(4,258)</u>	<u>52,558</u>
December 31, 2010	<u>97,579</u>	<u>408</u>	<u>857</u>	<u>-</u>	<u>98,844</u>

The directors and management are of the view that the deferred tax assets on tax losses are realizable based on projected future profitability of the subsidiaries currently operating at a loss.

The Company

	Unrealised Foreign <u>Exchange Loss</u>	Interest <u>Payable</u>	<u>Total</u>
	\$'000	\$'000	\$'000
November 1, 2008	5,620	-	5,620
Credited to income for the period	<u>7,139</u>	<u>-</u>	<u>7,139</u>
December 31, 2009	12,759	-	12,759
(Charged) credited to income for the year	<u>(12,759)</u>	<u>857</u>	<u>(11,902)</u>
December 31, 2010	<u>-</u>	<u>857</u>	<u>857</u>

The directors and management are of the view that the deferred tax asset recognized on tax losses is realizable based on projected future profitability of the subsidiaries that are currently reporting losses.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

## 12 DEFERRED TAXATION (Cont'd)

## Deferred Tax Liabilities

The Group

	Revaluation of <u>Property</u> \$'000	Capital Allowance in Excess of <u>Depreciation</u> \$'000	Finance <u>Lease</u> \$'000	Interest <u>Receivable</u> \$'000	<u>Total</u> \$'000
November 1, 2008	-	32,767	8,197	37	41,001
Charged (credited) to income for the period	<u>-</u>	<u>(18,586)</u>	<u>5,936</u>	<u>363</u>	<u>(12,287)</u>
December 31, 2009	-	14,181	14,133	400	28,714
Charged to equity for the year	51,531	-	-	-	51,531
Charged (credited) to income for the year	<u>-</u>	<u>( 304)</u>	<u>5,566</u>	<u>5,303</u>	<u>10,565</u>
December 31, 2010	<u>51,531</u>	<u>13,877</u>	<u>19,699</u>	<u>5,703</u>	<u>90,810</u>

The Company

	Revaluation of <u>Property</u> \$'000	Capital Allowance in Excess of <u>Depreciation</u> \$'000	Interest <u>Receivable</u> \$'000	<u>Total</u> \$'000
November 1, 2008	-	44,367	37	44,404
(Credited) charged to income for the period	<u>-</u>	<u>(24,486)</u>	<u>44</u>	<u>(24,442)</u>
December 31, 2009	-	19,881	81	19,962
Charge to equity for the year	17,867	-	-	17,867
Credited to income for the year	<u>-</u>	<u>( 519)</u>	<u>(81)</u>	<u>( 600)</u>
December 31, 2010	<u>17,867</u>	<u>19,362</u>	<u>-</u>	<u>37,229</u>

## 13 OTHER ASSETS

	<u>2010</u> \$'000	<u>2009</u> \$'000
<b>Cost</b>		
January 1, 2010/November 1, 2008	11,042	18,069
Less: Amortisation	<u>( 6,023)</u>	<u>( 7,027)</u>
December 31	<u>5,019</u>	<u>11,042</u>

The amount represents tokens used in the gaming machines operated at the gaming lounge carried at cost less amortization over three years.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

## 14 INVENTORIES

	The Group		The Company	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Pin codes	120,854	76,334	120,854	76,334
Food and beverage	<u>13,929</u>	<u>17,109</u>	-	-
	<u>134,783</u>	<u>93,443</u>	<u>120,854</u>	<u>76,334</u>

The cost of inventory recognized as an expense during the period was - the Group 1.9 billion (2009: \$2.6 billion), the company \$1.7 billion (2009: \$1.7 billion).

## 15 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Trade receivables	293,767	217,791	-	-
Less: Allowances for irrecoverable debts	( 67,500)	( 55,620)	-	-
	226,267	162,171	-	-
Other receivables and prepayments (see Note 16(e))	<u>260,291</u>	<u>267,327</u>	<u>171,877</u>	<u>70,708</u>
	<u>486,558</u>	<u>429,498</u>	<u>171,877</u>	<u>70,708</u>

- (a) Included in trade receivables are amounts of \$232 million (2009: \$177 million) representing amounts receivable from the agents that support the lottery sales. The average credit periods for these receivables are 7 days. Balances outstanding for over 7 days are considered past due. Where agent balances are outstanding for over 90 days they are classified as dilinquent and are provided for in full after 365 days as historical experience is such that receivables that are past due beyond this period are generally not recoverable.

The average credit period for the remaining balance in trade receivables is 30 days and provision is made in full for balances outstanding for more than 365 days.

- (b) Accounts receivable above includes amounts (see aged analysis below) that are past due as at the end of the reporting period but against which the group has not recognised an allowance for doubtful receivable because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or credit enhancement over these balances nor does it have a legal right of off-set against any amounts owed by the Group's counterparty.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

## 15 TRADE AND OTHER RECEIVABLES (Cont'd)

		The Group	
		<u>2010</u>	<u>2009</u>
		\$'000	\$'000
(c)	<u>Ageing of past due but not impaired</u>		
	30 - 60 days	36	851
	60 - 90 days	209	2,433
	Over 90 days	<u>-</u>	<u>12,931</u>
		<u>245</u>	<u>16,215</u>
		<u>2010</u>	<u>2009</u>
		\$'000	\$'000
(d)	<u>Movement in allowance for impairment</u>		
	Balance at beginning of year	55,620	46,812
	Impairment losses recognized	<u>11,880</u>	<u>8,808</u>
	Balance at end of year	<u>67,500</u>	<u>55,620</u>

In determining the recoverability of a receivable, the Group considers any change in the credit quality of the receivable from the date the credit was granted up to the reporting date.

- (e) Other receivables includes amounts of \$70.8 million (US\$0.830 million), (2009: \$132.5 million (US\$1.487 million)) for the Group, \$54.1 million (2009: \$0.5 million) for the company representing the current portion of the long-term receivables (see Note 9). The amount for the Group is recoverable in four quarterly installments during the year ending December 31, 2010, the amount for the company is recoverable based on an agreed repayment schedule by March 2010.

## 16 DUE FROM (TO) RELATED PARTIES

		The Company	
		<u>2010</u>	<u>2009</u>
		\$'000	\$'000
	Prime Sports (Jamaica) Limited	124,246	604,952
	Supreme Ventures Financial Services Limited	196	230
	Big 'A' Track 2003 Limited	46,551	3,538
	Supreme Ventures Lotteries Limited	<u>49,228</u>	<u>77,268</u>
		<u>220,221</u>	<u>685,988</u>

## 17 CASH AND BANK BALANCES

(a) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, net of bank overdraft, and other highly liquid bank deposits held with financial institutions, with an original maturity of three months or less from the date of acquisition and are held to meet cash requirements rather than for investment purposes.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

## 17 CASH AND BANK BALANCES (Cont'd)

(b) *The Group*

Bank balances of the Group include interest bearing accounts of \$693 million (2009: \$763.4 million), including US\$ foreign currency deposits of US\$731,266 (2009: US\$1,088,360). Interest rate on J\$ deposits ranged from 1.5% to 6.75% (2009: 8.751% to 12.0%) and on US\$ deposits from 0.15% to 1.0% (2009: 1.0% to 4.0%).

(c) *The Company*

Bank balances of the company include interest bearing accounts of \$6.6 million (2009: \$34.1 million), including foreign currency deposits in the prior period US\$313,659. Interest rate on the J\$ deposits is 4% (2009: ranges from 8.75% to 9.15%) and US\$ deposits in the prior period ranges from 5.75% to 6.25%.

## 18 SHARE CAPITAL

	<u>2010</u> \$'000	<u>2009</u> \$'000
Stated capital - January 1/December 31	<u>1,967,183</u>	<u>1,967,183</u>
	<u>No. of Shares</u>	<u>No. of Shares</u>
Authorised capital - ordinary stocks at no par value	<u>3,000,000,000</u>	<u>3,000,000,000</u>
Issued capital - ordinary stocks at no par value	<u>2,637,254,926</u>	<u>2,637,254,926</u>

## 19 CAPITAL RESERVE

This includes gains arising on the scheme of reorganization and amalgamation of subsidiaries within the Group in 2008. The reserve is stated net of costs associated with the reorganization and amalgamation and capital distributions.

## 20 REVALUATION RESERVE

	<u>The Group</u>		<u>The Company</u>	
	<u>2010</u> \$'000	<u>2009</u> \$'000	<u>2010</u> \$'000	<u>2009</u> \$'000
Balance at the beginning of the year	-	-	-	-
Increase arising on revaluation of property	210,592	-	55,600	-
Deferred tax liability arising on revaluation	( 51,531)	-	(17,867)	-
Balance at December 31	<u>159,061</u>	<u>-</u>	<u>37,733</u>	<u>-</u>

Balance represents net gain on revaluation of land and building. See also Note 5.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

## 21 LONG-TERM LIABILITIES

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
GTECH Global Services Corporation Limited US\$527,878 (2009: US\$1,747,642) (Note 21 (a))	45,287	156,589	45,287	156,589
First Caribbean International Bank Loan 1 - (2009: US\$465,282) (Note 21 (b))	-	41,697	-	-
Obligation under finance lease US\$763,712 (2009: US\$1,054,630) (Note 21 (c))	65,519	94,510	-	-
Bank of Nova Scotia Jamaica Limited (Note 21 (d))	<u>200,569</u>	<u>-</u>	<u>200,569</u>	<u>-</u>
	<u>311,375</u>	<u>292,796</u>	<u>245,856</u>	<u>156,589</u>

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
These loans are repayable as follows:				
Within one year	118,614	165,489	91,856	109,291
In the second to fifth year inclusive	<u>192,761</u>	<u>127,307</u>	<u>154,000</u>	<u>47,298</u>
	<u>311,375</u>	<u>292,796</u>	<u>245,856</u>	<u>156,589</u>
Included in the statement of financial position as:				
Current liabilities	<u>118,614</u>	<u>165,489</u>	<u>91,856</u>	<u>109,291</u>
Long-term liabilities	<u>192,761</u>	<u>127,307</u>	<u>154,000</u>	<u>47,298</u>

## (a) GTECH Global Services Corporation Limited

An agreement was signed between the company and GTECH Global Services Corporation Limited for the acquisition of certain Video Lottery Terminal (VLT) equipment for US\$5.136 million to be settled in forty eight (48) equal installments of US\$107,000. Using the discounted cash flows techniques with an imputed interest rate of 5.38% per annum, the fair value of the loan at the inception was estimated at US\$4.18 million.

	2010 \$'000	2009 \$'000
Loan obligation		
Within one year	45,898	115,047
In the second to fifth year inclusive	<u>-</u>	<u>47,936</u>
	45,898	162,983
Less: Future finance charges	<u>( 611)</u>	<u>( 6,394)</u>
	<u>45,287</u>	<u>156,589</u>

The loan is secured over the VLT equipment purchased under the agreement.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

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

## (b) First Caribbean International Bank

The loan which had a carrying balance at the start of the period of approximately J\$41.6 million was fully repaid during the year.

The loan was secured by the following:

- (i) First demand guarantee mortgage on the property of Prime Sports (Jamaica) Limited stamped to cover US\$698,292 and with powers to upstamp.
- (ii) Debentures over the fixed and floating charge over the assets of Prime Sports (Jamaica) Limited to cover US\$698,292.
- (iii) Acknowledged assignment of Prime Sports (Jamaica) Limited's fire and peril insurance.

## (c) Obligation under finance lease

Finance lease relates to the leasing of the building to house the May Pen Gaming Lounge with a lease term of five (5) years. The lease arrangement has an option to purchase the building for a nominal amount at the conclusion of the lease agreement. The directors have opted to purchase the building.

	Minimum lease payment		Present value of minimum lease payment	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Amounts payable under finance lease:				
Within one year	30,489	31,847	26,758	26,070
In the second to fifth year inclusive	<u>39,397</u>	<u>73,002</u>	<u>38,761</u>	<u>68,440</u>
	69,886	104,849	65,519	94,510
Less: Future finance charges	<u>( 4,367)</u>	<u>( 10,339)</u>	<u>-</u>	<u>-</u>
Present value of lease obligation US\$763,712 (2009:US\$1,054,630)	<u>65,519</u>	<u>94,510</u>	<u>65,519</u>	<u>94,510</u>

## (d) Bank of Nova Scotia Jamaica Limited

The loan is repayable as follows:

	2010 \$'000	2009 \$'000
Within one year	46,569	-
In the second to fifth year	<u>154,000</u>	<u>-</u>
	<u>200,569</u>	<u>-</u>

The non-revolving J\$ loan obtained from the Bank of Nova Scotia Jamaica Limited (BNS) is repayable over a period of five years. The principal is repayable in twenty (20) equal quarterly installments of \$11 million each.

**SUPREME VENTURES LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2010****21 LONG-TERM LIABILITIES (Cont'd)****(d) Bank of Nova Scotia Jamaica Limited (Cont'd)**

The BNS facility is secured as follows:

- (i) Corporate guarantee by Prime Sports (Jamaica) Limited supported by first legal mortgage over commercial property located at Gloucester Avenue, Montego Bay in the parish of Saint James.
- (ii) Cash flow support guarantee from Supreme Ventures Lotteries Limited in favour of Supreme Ventures Limited.
- (iii) Adequate peril insurance for the full replacement values over the properties to be held as collateral with benefits ceded to the bank.

**22 TRADE AND OTHER PAYABLES**

	The Group		The Company	
	<u>2010</u> \$'000	<u>2009</u> \$'000	<u>2010</u> \$'000	<u>2009</u> \$'000
Trade payables	273,135	220,073	241,336	182,052
Service contractor fees	287,459	241,815	8,719	7,965
Contributions payable to CHASE Fund	64,875	47,947	-	-
Contributions payable to Betting, Gaming and Lotteries Commission	15,262	13,078	-	-
Government taxes payable	26,574	17,317	-	-
Withholding taxes payable	-	24,835	-	24,835
Other payables and accruals	<u>115,434</u>	<u>94,223</u>	<u>31,350</u>	<u>29,185</u>
	<u>782,739</u>	<u>659,288</u>	<u>281,405</u>	<u>244,037</u>

**23 PRIZE LIABILITIES**

	The Group	
	<u>2010</u> \$'000	<u>2009</u> \$'000
Local lottery games ((a) below)	119,388	111,251
Multi jurisdictional lottery game ((b) below)	101,263	99,886
Sports Betting ((c) below)	<u>573</u>	<u>-</u>
	<u>221,224</u>	<u>211,137</u>

(a) Represents the prize liabilities associated with the local lottery games operated under licence by the subsidiary including an amount accrued for the advertised jackpot of \$60 million (2009: \$50 million).

(b) A subsidiary commenced sale of tickets of the multijurisdictional Game 'Super Lotto' on August 18, 2009 (see also Note 1).

Under the rules of the Super Lotto game, and as agreed by BGLC, a certain percentage of revenue is recognized as a jackpot fund with a corresponding charge to expenses for settlement of the jackpot. The percentage since March 6, 2010 is 39.1136% and the percentage prior to March 6, 2010 was 39.6627%. This is with the intention that over a period of time there will be an accumulation of funds towards the settlement of the jackpot.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

## 23 PRIZE LIABILITIES

(b) (Cont'd)

By an agreement dated September 23, 2009, amended March 6, 2010, between GTECH Corporation (GTECH) and the subsidiary, GTECH has accepted the obligation to fund the unfunded portion of the jackpot liability of the company. As compensation to GTECH under this arrangement certain portion of game revenue is paid over to GTECH and is included in service fees as direct expenses. Resulting from this arrangement the company has no further obligation for settlement of the jackpot prize liability and accordingly will not be recording additional prize expenses other than amounts recognized as a reserve on an ongoing basis based on revenue. (See also Note 42(c)).

(c) Represents the prize liabilities associated with the bets taken on International sporting events operated under licence by a subsidiary.

## 24 REVENUE

(a) Analysis of revenue is as follows:

	The Group		The Company	
	12 Months Ended December 31, 2010	14 Months Ended December 31, 2009	12 Months Ended December 31, 2010	14 Months Ended December 31, 2009
	\$'000	\$'000	\$'000	\$'000
Cash Pot	16,798,346	19,315,026	-	-
Lucky 5	510,111	626,882	-	-
Dollaz	280,257	324,387	-	-
Lotto	1,159,404	1,560,808	-	-
Pick 3	2,683,181	2,368,945	-	-
Instant	80,345	131,014	-	-
Super Lotto				
(commenced in August 2009)	562,488	277,089	-	-
Pick 2				
(commenced November 2010)	63,766	-	-	-
Sports Betting (commenced January 2010)	43,093	-	-	-
Daily Bingo				
(commenced in May 2008)	-	1,864	-	-
Prime Time Bingo				
(commenced in October 2007)	-	9,453	-	-
Unclaimed prizes	68,801	73,743	-	-
Gaming revenue (net wins)	862,439	1,151,853	-	-
Hospitality and related revenue	118,981	138,326		-
Management fees	-	-	165,000	210,000
Royalties	-	-	104,012	117,455
Money Gram remittance service	80,366	94,727	-	-
Foreign exchange trading	71,817	111,293	-	-
Pin codes	1,980,846	1,902,588	1,980,846	1,902,588
Others	<u>55,023</u>	<u>79,962</u>	<u>22,666</u>	<u>64,928</u>
	<u>25,419,264</u>	<u>28,167,960</u>	<u>2,272,524</u>	<u>2,294,971</u>

**SUPREME VENTURES LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2010****24 REVENUE (Cont'd)**

- (b) On August 18, 2009 the Betting, Gaming and Lotteries Commission (BGLC) gave an approval for the subsidiary to sell lottery tickets of the Super Lotto game in Jamaica.

The Super Lotto game is a Multi Jurisdictional game with the following countries being a party to the Super Lotto agreement entered into by the company on July 27, 2009: Anguilla, Antigua and Barbuda, Bermuda, St. Kitts and Nevis, Barbados, St. Maarten, United States Virgin Islands, Dominican Republic and Jamaica. Revenue for ticket sales in Jamaica is recorded as income of the Group.

- (c) In December 2008, the management of the company took the decision to suspend the Prime Time Bingo and Daily Bingo games. Therefore, the balance in relation to Prime Time Bingo and Daily Bingo represents two months activity in the period ended December 31, 2009.

**25 SEGMENT REPORTING**

Information reported to the Chief Operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of services provided.

The Group's reportable segments with IFRS are therefore as follows:

- |                            |   |   |
|----------------------------|---|---|
| (a) Lottery                | - | Lottery games, operated through the agents' network.  |
| (b) Gaming and hospitality | - | Video Lottery Terminal (VLT) games offered at gaming lounges and room, restaurant and related guest services at these gaming lounges. |
| (c) Sports Betting         | - | International Sport events operated through the agent's network.  |
| (d) Financial services     | - | Foreign exchange dealer services and Money Gram remittance services.  |
| (e) Pin codes              | - | Sale of pin codes through the agents' network, agents' service fees, agents' reconnection fees.                                       |
| (f) Other                  | - | All other income.   |

During the current year the Group identified sports betting as a segment and the comparative period has been restated.

The Group's customer base currently spans several geographical areas, however, all its segment's operations are from the same country of domicile and as such all its revenues generated from external customers and non-current assets are attributed to the same geographical area.

The Group's operations are located solely in Jamaica.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

## 25 SEGMENT REPORTING (Cont'd)

	12 Months Ended December 31, 2010							Group \$'000
	Lottery	Gaming and Hospitality	Sports Betting	Financial Services	Pin Codes	Other	Eliminations	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>External revenue</b>	22,206,699	981,420	43,093	152,183	1,980,846	55,023	-	25,419,264
Inter-segment revenue	-	22,666	-	-	-	237,068	( 295,734)	-
Total revenue	<u>22,206,699</u>	<u>1,004,086</u>	<u>43,093</u>	<u>152,183</u>	<u>1,980,846</u>	<u>328,091</u>	<u>( 295,734)</u>	<u>25,419,264</u>
<b>Result</b>								
Segment result	774,531	( 71,698)	( 90,077)	( 20,577)	55,280	55,021		702,480
Interest income								72,494
Net foreign exchange loss								( 12,722)
Other gains and losses								( 15,056)
Finance cost								( 41,608)
Profit before taxation								705,588
Taxation								( 284,321)
Profit for the period								<u>421,267</u>
<b>Other information</b>								
Capital additions	20,910	132,608	28,710	8,258	-	-	-	190,486
Depreciation, amortization and write-offs	29,690	168,879	4,543	2,401	-	-	-	205,513
Revaluation of property	55,600	154,992	-	-	-	-	-	210,592
<b>Balance sheet</b>								
Assets								
Segment assets	3,271,782	3,562,019	86,263	126,686	120,854	-	(2,528,238)	<u>4,639,366</u>
Consolidated total assets								<u>4,639,366</u>
Liabilities								
Segment liabilities	938,808	56,804	1,320,486	34,835	241,335	-	(1,276,930)	<u>1,315,338</u>
Consolidated total liabilities								<u>1,315,338</u>

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

## 25 SEGMENT REPORTING (Cont'd)

	14 Months Ended December 31, 2009 - (Restated)							
	<u>Lottery</u> \$'000	<u>Gaming and Hospitality</u> \$'000	<u>Sports Betting</u> \$'000	<u>Financial Services</u> \$'000	<u>Pin Codes</u> \$'000	<u>Other</u> \$'000	<u>Eliminations</u> \$'000	<u>Group</u> \$'000
<b>External revenue</b>	24,689,210	1,290,179	6,498	206,020	1,902,588	73,465	-	28,167,960
Inter-segment revenue	-	63,971	-	-	-	337,279	( 401,250)	-
Total revenue	<u>24,689,210</u>	<u>1,354,150</u>	<u>6,498</u>	<u>206,020</u>	<u>1,902,588</u>	<u>410,744</u>	<u>( 401,250)</u>	<u>28,167,960</u>
<b>Result</b>								
Segment result	1,160,454	( 114,033)	(13,460)	34,593	45,965	73,467		1,186,986
Interest income								111,189
Net foreign exchange loss								( 632)
Finance cost								( 31,659)
Profit before taxation								1,265,884
Taxation								( 514,682)
Profit for the period								<u>751,202</u>
<b>Other information</b>								
Capital additions	51,765	81,227	8,601	9,995	-	-	-	151,588
Depreciation, amortization and write-offs	120,793	233,412	220	1,670	-	-	-	356,095
<b>Balance sheet</b>								
<b>Assets</b>								
Segment assets	3,213,345	3,146,724	27,592	129,077	76,333	-	(2,208,155)	<u>4,384,916</u>
Consolidated total assets								<u>4,384,916</u>
<b>Liabilities</b>								
Segment liabilities	759,688	1,663,580	7,409	26,161	190,018	-	(1,374,856)	<u>1,272,000</u>
Consolidated total liabilities								<u>1,272,000</u>

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

## 26 DIRECT EXPENSES

(a) Analysis of direct expenses is as follows:

	The Group		The Company	
	12 months Ended December 31, 2010 \$'000	14 months Ended December 31, 2009 \$'000	12 months Ended December 31, 2010 \$'000	14 months Ended December 31, 2009 \$'000
Lottery and Sports betting prizes	15,352,896	16,980,930	-	-
Service contractor fees	1,492,390	1,534,304	-	-
Agents' commissions	1,097,635	1,219,001	-	-
Good cause fees	1,011,098	1,118,244	-	-
Lottery and gaming tax	1,284,078	1,428,863	-	-
Contributions to BGLC	243,389	278,156	-	-
Gaming lounge charges	-	45,232	-	-
Direct expense - hospitality and related services	77,746	98,241	-	-
Pin codes	1,775,838	1,709,103	1,775,838	1,709,103
Commissions - pin codes (cost)	149,728	147,520	149,728	147,520
Commissions - Money Gram (cost)	33,543	34,616	-	-
Others	-	5,051	-	-
	<u>22,518,341</u>	<u>24,599,261</u>	<u>1,925,566</u>	<u>1,856,623</u>

(b) Lottery and Sports betting prizes

- (i) Cash Pot – All prizes are fixed. The prize won for correctly matching the winning number is \$26 for each \$1 wagered.
- (ii) Lucky 5 – Prizes for this game is based on the predetermined prize structure.
- (iii) Dollaz! – Prizes for this game are fixed based on each \$10 per play per spot. The prize paid will depend on how much of the winning numbers are correctly matched.
- (iv) Lotto, Super Lotto Prime Time and Daily Bingo – Prizes are based on the actual winning combination of numbers for each draw with the amount allocated to prizes being a predetermined percentage of actual sales.
- (v) Pick 2 and Pick 3 – Prizes are computed based on the actual winning combination of numbers for each draw.
- (vi) Instant – Prizes are accrued as an estimate based on a predetermined prize structure for each game.
- (vii) Sports Betting – All prizes are fixed. The prize won is based on the amount wagered multiplied by the odds of the selected event(s) printed on the ticket, which were the valid ones while it was played.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

## 26 DIRECT EXPENSES (Cont'd)

## (c) Service contractor fees

(i) GTECH Corporation (GTECH) has been contracted for the provision of technical and marketing services for lottery gaming activities. GTECH whose primary business is providing online lottery systems, terminals, networks and services to the lottery industry provide these services to operate the lotteries. GTECH receives a service fee calculated using an agreed fee structure based on weekly gross sales.

## (ii) Intralot

Intralot has been contracted for the provision of technical and marketing services for sports betting activities. Intralot whose primary business is providing online sports betting systems, terminals, networks and services to the sports betting industry provide these services to operate the sports betting activities. Intralot receives a service fee calculated using an agreed fee percentage based on weekly net sales after prizes, agents' commission and relevant government taxes.

## (d) Agents' commission

The agents who sell on-line tickets for the lottery games and sports betting receive a commission on ticket sales.

## (e) Good cause fees

Under the terms of the licence and approvals granted by the Betting, Gaming & Lotteries Commission (Note 1), contributions are made to the Culture, Health, Arts, Sports and Education (CHASE) Fund computed as follows:

Cash Pot	- 15% of net ticket sales after prizes
Lucky 5	- 7.5% of gross ticket sales
Dollaz!	- 7.5% of gross ticket sales
Lotto, Super Lotto, Instant Ticket and Prime Time Bingo	- 7.5% of gross ticket sales
Pick 2 and Pick 3	- 4.17% of gross ticket sales
Sports Betting	- 1% of gross profit
Video Lottery Terminals	- 6.5% of meter net wins

In addition to the above contributions, 50% of unclaimed prizes are also paid over to the same fund.

## (f) Lottery and gaming tax

In accordance with Section 13 of the Betting, Gaming and Lotteries (Amendment) Act 2000, 17% of weekly net revenues is paid as lottery tax to the Government of Jamaica for Lucky 5, Cash Pot, Daily Bingo, Pick 2 and Pick 3 and 23% of weekly gross revenues is paid for Dollaz!. The tax for Lotto and Super Lotto is computed as 23% of lotto sales net of prizes. In relation to VLT gaming activities, a gross profit tax is paid to the Government of Jamaica calculated at 7.5% of meter net wins on a monthly basis, Sports Betting 7% of gross profit (sales net of prizes).

## (g) Contributions to Betting, Gaming and Lotteries Commission

In accordance with conditions attached to the licence and approval granted by BGLC 1% of gross lottery and Sports Betting ticket sales are paid to BGLC as contribution. Also in accordance with amended regulations 2.5% of meter net wins is paid to BGLC in relations to VLT gaming activities.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

## 26 DIRECT EXPENSES (Cont'd)

## (h) Gaming lounge charges

These charges in the prior period included payments under contractual arrangements with hotels that operate gaming lounges.

## (i) Pin codes

This represents the amounts paid to mobile service providers for the purchase of pin codes, adjusted for inventory movements.

## (j) Commission - pin codes cost

The agents of the company who sell on-line pin codes and phone cards receive a commission on sales.

## 27 OPERATING EXPENSES

	The Group		The Company	
	12 months Ended December 31, 2010	14 months Ended December 31, 2009	12 months Ended December 31, 2010	14 months Ended December 31, 2009
	\$'000	\$'000	\$'000	\$'000
Staff costs (Note 29)	658,530	707,766	128,996	125,630
Rental and utilities	189,667	178,608	6,443	2,920
Marketing and business development	450,224	359,119	23,973	24,775
Professional fees	67,730	89,272	26,007	36,817
Draw expenses	97,111	102,572	-	-
Security	73,802	80,802	8,335	5,258
GCT irrecoverable	92,377	87,569	-	-
Licences and other fees	20,526	21,492	-	-
Depreciation and amortization charges	198,176	321,517	46,562	161,370
Write off of property and plant	7,397	34,578	-	-
Bank charges	34,128	40,861	255	680
Others	<u>308,775</u>	<u>357,557</u>	<u>28,135</u>	<u>18,783</u>
	<u>2,198,443</u>	<u>2,381,713</u>	<u>268,706</u>	<u>376,233</u>

## 28 STAFF COSTS

	The Group		The Company	
	12 months Ended December 31, 2010	14 months Ended December 31, 2009	12 months Ended December 31, 2010	14 months Ended December 31, 2009
	\$'000	\$'000	\$'000	\$'000
Salaries and other employee benefits	601,597	646,226	119,872	115,437
Statutory contributions	43,995	55,150	8,807	9,882
Pension contributions	<u>12,938</u>	<u>6,390</u>	<u>317</u>	<u>311</u>
	<u>658,530</u>	<u>707,766</u>	<u>128,996</u>	<u>125,630</u>

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

## 29 NET FOREIGN EXCHANGE GAIN (LOSS)

	The Group		The Company	
	12 months Ended December 31, 2010	14 months Ended December 31, 2009	12 months Ended December 31, 2010	14 months Ended December 31, 2009
	\$'000	\$'000	\$'000	\$'000
Foreign exchange gain	11,303	55,024	5,521	4,671
Foreign exchange loss	(24,025)	(55,656)	(1,427)	(38,278)
<b>NET GAIN (LOSS)</b>	<b>(12,722)</b>	<b>(632)</b>	<b>4,094</b>	<b>(33,607)</b>

## 30 FINANCE COSTS

	The Group		The Company	
	12 months Ended December 31, 2010	14 months Ended December 31, 2009	12 months Ended December 31, 2010	14 months Ended December 31, 2009
	\$'000	\$'000	\$'000	\$'000
Interest on bank overdraft and long-term loans	33,330	13,515	33,330	13,515
Interest on obligations under finance lease	8,278	18,144	-	-
	<u>41,608</u>	<u>31,659</u>	<u>33,330</u>	<u>13,515</u>

## 31 OTHER GAINS AND LOSSES

This represents impairment adjustment in respect of an unquoted investment. (See also Note 11).

## 32 PROFIT BEFORE TAXATION

The profit before taxation is stated after taking account of the following items:

	The Group		The Company	
	12 months Ended December 31, 2010	14 months Ended December 31, 2009	12 months Ended December 31, 2010	14 months Ended December 31, 2009
	\$'000	\$'000	\$'000	\$'000
Income				
Interest	72,494	111,189	75,824	133,531
Expenses				
Directors' emoluments:				
Fees	16,851	16,329	16,851	16,329
Management remuneration	79,705	95,768	79,705	95,768
Audit fees	16,550	16,550	5,100	5,100
Depreciation of property and equipment	185,590	316,569	45,878	160,632
Write-off of property and plant	7,397	34,578	-	-
Amortisation of intangible assets	12,586	4,948	684	687
Finance costs	41,608	31,659	33,330	13,515

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

## 33 RELATED PARTY

(a) A party is considered to be related if:

- (i) directly, or indirectly through one or more intermediaries, the party:
  - controls, is controlled by, or is under common control with, the Group (this includes parent, subsidiaries and fellow subsidiaries);
  - has an interest in the entity that gives it significant influence over the Group; or
  - has joint control over the Group;
- (ii) the party is an associate of the Group;
- (iii) the party is a joint venture in which the Group is a venturer;
- (iv) the party is a member of the key management personnel of the Group;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (i) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Related party transactions and balances are recognised and disclosed in the financial statements.

Transactions with related parties are recorded in accordance with the normal policies of the Group at transaction dates.

(b) *Trading transactions with related parties*

During the period, the company had the following significant transactions

	12 Months Ended December 31, 2010	14 Months Ended December 31, 2009
	\$'000	\$'000
Supreme Ventures Financial Services Limited		
Foreign currency purchases	140,483	196,864
Interest income	-	2,623
Royalty fee	1,858	2,765
Prime Sports (Jamaica) Limited		
Machine rental	22,666	62,968
Interest income	71,670	125,823
Supreme Ventures Lotteries Limited		
Management fees	165,000	210,000
Royalty fee	102,143	114,690

(c) *Balances with related parties*

Notes 9 and 16 to the financial statements include related party long-term receivable and other amounts due from related parties respectively.

(d) *Loans of key management personnel*

	The company	
	<u>2010</u>	<u>2009</u>
	\$'000	\$'000
Loan balances	<u>78,051</u>	<u>48,727</u>

The company has provided its key management personnel with short-term loans in accordance with policy on granting loans to the company's employees. The amounts provided during the period amounted to \$98.081 million (2009: \$56.195 million).

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

## 33 RELATED PARTY (Cont'd)

(e) *Compensation of key management personnel*

The remuneration of directors and other members of the key management during the year were as follows:

	<u>The Group and the Company</u>	
	<u>12 Months Ended December 31, 2010</u>	<u>14 Months Ended December 31, 2009</u>
	\$'000	\$'000
Short-term benefits	115,239	128,569
Post employment benefits	<u>1,726</u>	<u>1,689</u>
	<u>116,965</u>	<u>130,258</u>
Professional fees paid to directors	<u>28,670</u>	<u>34,236</u>

The prior period disclosures for key management personnel have been restated to conform to current year's management groupings to include certain managers as key management personnel.

## 34 TAXATION

## (a) The total charge for the period includes:

	<u>The Group</u>		<u>The Company</u>	
	12 months Ended <u>December 31, 2010</u>	14 months Ended <u>December 31, 2009</u>	12 months Ended <u>December 31, 2010</u>	14 months Ended <u>December 31, 2009</u>
	\$'000	\$'000	\$'000	\$'000
Current tax charge:				
Income tax at 33 $\frac{1}{3}$ % of taxable profits	324,812	527,611	42,512	81,127
Under provision in previous period	1,502	2,024	5,620	2,024
Deferred tax adjustment (Note 12)	( 41,993)	( 14,953)	<u>11,302</u>	<u>(31,189)</u>
	<u>284,321</u>	<u>514,682</u>	<u>59,434</u>	<u>51,962</u>

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

## 34 TAXATION (Cont'd)

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

	The Group		The Company	
	12 Months Ended December 31, 2010	14 Months Ended December 31, 2009	12 Months Ended December 31, 2010	14 Months Ended December 31, 2009
	\$'000	\$'000	\$'000	\$'000
Profit before taxation	<u>705,588</u>	<u>1,265,884</u>	<u>729,784</u>	<u>1,278,524</u>
Tax at the domestic income tax rate of 33 $\frac{1}{3}$ %	235,196	421,961	243,261	426,175
Tax effect of expenses disallowed for tax purposes	16,840	15,202	4,460	1,036
Net deferred tax asset not recognized (see (d) below)	37,354	75,495	-	-
Tax effect on non taxable income	-	-	(206,667)	( 377,059)
Under provision previous year	1,502	2,024	5,620	2,024
Tax effect of write back of unrealized exchange gain (loss)	( 5,688)	-	12,759	-
Other	( 883)	-	1	( 214)
	<u>284,321</u>	<u>514,682</u>	<u>59,434</u>	<u>51,962</u>

(c) Tax losses of sub-subsidiaries amounting to approximately \$292 million (subject to agreement with the Commissioner, Taxpayer Audit and Assessment) are available for set-off against future taxable profits of the subsidiaries.

(d) Net deferred tax asset not recognized represents the effect of deferred tax on losses of a subsidiary currently operating at a loss.

**SUPREME VENTURES LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2010****35 NET PROFIT**

(a) Dealt with in the financial statements of:

	12 Months Ended December 31, 2010	14 Months Ended December 31, 2009
	\$'000	\$'000
The company (see (b) below)	50,350	96,562
The subsidiaries	<u>370,917</u>	<u>654,640</u>
	<u>421,267</u>	<u>751,202</u>
(b) Profit per company's statement of comprehensive income	670,350	1,226,562
Less: Dividend received - subsidiary	<u>(620,000)</u>	<u>(1,130,000)</u>
Net profit (as above)	<u>50,350</u>	<u>96,562</u>

**36 RETAINED EARNINGS**

This is reflected in the financial statements of:

	<u>2010</u> \$'000	<u>2009</u> \$'000
The company	1,024,593	723,459
The subsidiaries	<u>110,705</u>	<u>359,788</u>
	<u>1,135,298</u>	<u>1,083,247</u>

**37 EARNINGS PER STOCK**

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

	<u>2010</u> \$'000	<u>2009</u> \$'000
Net profit attributable to shareholders ('000)	425,058	751,202
Weighted average number of ordinary stock units in issue ('000)	2,637,254	2,637,254
Basic earnings per stock unit	0.16 Cents	0.29 Cents

Diluted earnings per stock unit is the same as basic earnings per stock unit as there were no dilutive potential ordinary stocks.

**38 RETIREMENT BENEFIT PLAN**

The Group operates a defined contribution retirement benefit plan for all qualifying employees. The assets of the scheme are held separately from those of the group in funds under the control of trustees and administered by an insurance company. Basic contributions are 5% of taxable earnings, made by the employees and 5% by the employer. The employees may make additional contributions of 5% of their taxable earnings to provide for additional pension benefits.

The Group's and the company's contributions are disclosed in Note 28 on staff costs.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

## 39 OPERATING LEASE ARRANGEMENTS

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

Minimum lease rental commitments are as follows:

	<u>The Group</u> <u>2010</u> \$'000
Within 1 year	15,262
Year 2 and 3	<u>39,079</u>
	<u>54,341</u>

	<u>The Group</u>	
	12 months Ended <u>December 31, 2010</u> \$'000	14 months Ended <u>December 31, 2009</u> \$'000
Minimum lease payment under operating lease recognized as an expense in the year	<u>54,335</u>	<u>54,312</u>

## 40 DISTRIBUTIONS

	<u>2010</u> \$'000	<u>2009</u> \$'000
(a) Dividend declared and paid		
Second quarter ended April 30, 2010 - 14□	369,216	-
Second quarter ended April 30, 2009 - 10□	-	263,725
Fourth quarter ended December 31, 2009 - 9□	-	237,353
Capital distribution 2008/2009 - 3□	-	<u>83,281</u>
	<u>369,216</u>	<u>584,359</u>

## (b) Dividend received

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

## 41 CONTINGENCIES AND COMMITMENTS

## (a) Contingencies - litigations

On December 15, 2008 a civil suit was filed by Epsilon Global Equities Limited (Epsilon) citing as defendants the company and its founding shareholders.

Subsequent to reporting date, the matter has been settled with a judgement in favour of the shareholders and the company. However, the attorney representing Epsilon has indicated that they propose to appeal the judgement.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

## 41 CONTINGENCIES AND COMMITMENTS (Cont'd)

## (b) Contingencies - Guarantee

- i) Pursuant to the Articles of Incorporation of the company and a resolution of the directors, the company has issued a duly executed and stamped deed of debenture and a duly executed guarantee to Betting, Gaming and Lotteries Commission (BGLC). The company and BGLC have agreed that, the secured debenture and the guarantee constitute compliance by the subsidiary, Supreme Ventures Lotteries Limited (SVLL), with the requirements of the licence granted by BGLC that, the equity capitalization of SVLL be not less than \$500 million, and SVLL will accordingly be treated as having \$500 million of shareholders' equity (issued capital of SVLL is \$1.0 million) for the purpose of the condition of the BGLC licence that refer to shareholders' equity (see also Note 1). Accordingly, BGLC will hold the company responsible and liable for any breaches of the licence by the subsidiary, SVLL.
- ii) Pursuant to the Articles of Incorporation of the company and a resolution of the directors, the company has issued a duly executed and stamped deed of debenture and a duly executed guarantee to Betting, Gaming and Lotteries Commission (BGLC). The company and BGLC have agreed that, the secured debenture and the guarantee constitute compliance by the subsidiary, Big A Track 2003 Limited (Big A), with the requirements of the Bookmakers permit granted by BGLC that, the equity capitalization of Big A be not less than \$25 million, and Big A will accordingly be treated as having \$125 million of shareholders' equity (issued capital of Big A is \$100 million) for the purpose of the condition of the BGLC permit that refer to shareholders' equity. Accordingly, BGLC will hold the company responsible and liable for any breaches of the permit by the subsidiary, Big 'A'.

## (c) Contingencies - Super Lotto Jackpot Liability

As required under Condition 7 attached to the approval granted by Betting, Gaming and Lotteries Commission (BGLC) to promote the multijurisdictional Game 'Super Lotto', the company as the applicant has made arrangements for a stand-by financing facility of \$600.0 million from Bank of Nova Scotia Jamaica Limited. Under the said stand-by facility which expires on December 31, 2011, BGLC has been identified as the beneficiary in order to ensure that a super lotto jackpot winner in Jamaica is settled with the prize money and also to ensure that the necessary taxes on such a prize payment is settled with the Revenue Authorities in Jamaica.

## (d) Commitment - Licence fees to Betting, Gaming and Lotteries Commission (BGLC)

In accordance with conditions attached to the licences granted by BGLC, an annual licence fee of \$19.2 million falls due for payment each year.

## (e) Commitments - other

Commitments in respect of sponsorship agreements are as follows:

<u>Year</u>	\$'000
2011	48,200

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

## 42 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT

## 42.1 Significant accounting policies

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial assets, financial liabilities and equity instruments are disclosed in Note 3 to the financial statements.

## 42.2 Categories of financial instruments

	The Group		The Company	
	<u>2010</u> \$'000	<u>2009</u> \$'000	<u>2010</u> \$'000	<u>2009</u> \$'000
<b>Financial assets</b>				
Loans and other receivables (including cash and cash equivalents)	1,650,564	1,693,810	1,395,827	1,418,074
Available-for-sale investments	<u>1,883</u>	<u>16,939</u>	<u>1,883</u>	<u>16,939</u>
	<u>1,652,447</u>	<u>1,710,749</u>	<u>1,397,710</u>	<u>1,435,013</u>
<b>Financial liabilities</b>				
Other financial liabilities at amortized cost	<u>1,277,036</u>	<u>1,163,221</u>	<u>520,152</u>	<u>400,626</u>

## 42.3 Financial risk management objectives

The Group's activities expose it to a variety of financial risk and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the business and the operational risks are an inevitable consequence of being in business. The group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up to date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The Group's activities result in principal exposure to credit, liquidity, market and operational risks. An enterprise-wide risk management approach is adopted which involves employees at all levels. This framework is supported by sound risk management practices which include the establishment of enterprise-wide policies, procedures and limits, monitoring and measurement of exposure against established limits, ongoing realignment of business strategies and activities and the reporting of significant exposures to senior management and the Board of Directors.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board's risk management mandate is principally carried out through the Audit Committee.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

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

## 42.3 Financial risk management objectives (Cont'd)

## Audit Committee

The Audit Committee has oversight for the integrity of the financial statements and reviews the adequacy and effectiveness of internal controls and risk management procedures. The Committee also ensures compliance with internal, legal and regulatory policies, identifying, monitoring, measuring and reporting significant risk exposure and making recommendations in relation to management of risk.

This Board Committee also has direct responsibility for the management of balance sheet risk which includes liquidity, interest rates and foreign currency risks.

## 42.4 Credit risk management

## 42.4.1 Credit risk

The Group is exposed to credit risk, which is the risk that its customers or counterparties may accumulate and could cause a financial loss for the group by failure to discharge their contractual obligations. Credit risk is an important risk for the Group's business and management therefore carefully monitors its exposure to credit risk. Credit exposure for the Group arises mainly from receivables of lottery sales and cash and bank balances (see below). The Group structures the level of credit risk it undertakes by maintaining a strict collection process. Lottery sale Agents are required to make payment within a maximum of seven (7) business days after sales made on behalf of the Licensed Company.

	The Group	
	2010	2009
	\$'000	\$'000
Lottery receivables	232,318	177,185
Cash and bank balances	883,921	1,025,252
	1,116,239	1,202,437

*The company*

The company's maximum exposure to credit risk arises mainly from cash and bank balances amounting to \$72,489 million (2009 - \$104,373 million)

## 42.4.2 Credit review process

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

## Trade Receivables

- i. The Group establishes policies and procedures which govern standards for granting credit and the process of continuous monitoring and measurement in relation to credit quality through industry delinquency and debt recovery management.
- ii. Trade Receivables are carefully monitored and managed by the Finance Department and in collaboration with the Field Area Management team, who has responsibility for liaising with the Lottery Agents on behalf of the licensed company.

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

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

## 42.4 Credit risk management (Cont'd)

## 42.4.3 Impairment

The Finance Department - conducts monthly and quarterly assessment of the Trade Receivable balances to determine whether there is a requirement for provision due to impairment.

## 42.5 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities.

## 42.5.1 Management of liquidity risk

The Board of Directors approves the group's liquidity and funding management policies and established limits to control risk.

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

The management of liquidity risk is carried out through various methods which include:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow within the local and international markets.
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements.
- Maintenance of liquidity and funding contingency plans.

## 42.5.2 Liquidity and interest rate tables

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

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

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

## 42.5 Liquidity risk (Cont'd)

## 42.5.2 Liquidity and interest rate tables (Cont'd)

	The Group				
	Weighted average effective interest rate %	Within 3 Months \$'000	3 months to 1 year \$'000	1 to 5 Years \$'000	Total \$'000
<u>December 31, 2010</u>					
Financial assets					
Non-interest bearing		574,815	-	1,883	576,698
Variable interest rate instruments	4.79	189,359	113,719	151,538	454,616
Fixed interest rate instruments	4.04	<u>180,392</u>	<u>512,717</u>	-	<u>693,109</u>
		<u>944,566</u>	<u>626,436</u>	<u>153,421</u>	<u>1,724,423</u>
Financial liabilities					
Non-interest bearing		968,229	-	-	968,229
Interest bearing loan fixed rate	6.32	<u>69,174</u>	<u>68,416</u>	<u>282,087</u>	<u>419,677</u>
		<u>1,037,403</u>	<u>68,416</u>	<u>282,087</u>	<u>1,387,906</u>
<u>December 31, 2009</u>					
Financial assets					
Non-interest bearing		523,629	-	16,939	540,568
Variable interest rate instruments	4.79	4,695	14,345	435,576	454,616
Fixed interest rate instruments	8.40	<u>378,602</u>	<u>428,217</u>	-	<u>806,819</u>
		<u>906,926</u>	<u>442,562</u>	<u>452,515</u>	<u>1,802,003</u>
Financial liabilities					
Non-interest bearing		870,425	-	-	870,425
Interest bearing loan fixed rate	5.84	36,674	110,021	121,137	267,832
Interest bearing loans variable rate	12.50	<u>8,835</u>	<u>26,504</u>	<u>13,015</u>	<u>48,354</u>
		<u>915,934</u>	<u>136,525</u>	<u>134,152</u>	<u>1,186,611</u>

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

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

## 42.5 Liquidity risk (Cont'd)

## 42.5.2 Liquidity and interest rate tables (Cont'd)

	The Company					
	Weighted average effective interest rate %	1 to 3 Months \$'000	3 months to 1 year \$'000	1 to 5 Years \$'000	Over 5 years \$'000	Total \$'000
<u>December 31, 2010</u>						
Financial assets						
Non-interest bearing		388,731	-	1,883	-	390,614
Fixed interest rate instruments	5.55	<u>60,713</u>	<u>100,332</u>	<u>482,945</u>	<u>1,342,703</u>	<u>1,986,693</u>
		<u>449,444</u>	<u>100,332</u>	<u>484,828</u>	<u>1,342,703</u>	<u>2,377,307</u>
Financial liabilities						
Non-interest bearing		276,867	-	-	-	276,867
Fixed interest bearing loan	12.79	<u>64,320</u>	<u>53,336</u>	<u>232,155</u>	<u>-</u>	<u>349,811</u>
		<u>341,187</u>	<u>53,336</u>	<u>232,155</u>	<u>-</u>	<u>626,678</u>
<u>December 31, 2009</u>						
Financial assets						
Non-interest bearing		135,560	-	702,927	-	838,487
Variable interest rate instruments	16.35	23,295	68,384	365,895	1,728,226	2,185,800
Fixed interest rate instruments	6.78	<u>32,612</u>	<u>6,746</u>	<u>-</u>	<u>-</u>	<u>39,358</u>
		<u>191,467</u>	<u>75,130</u>	<u>1,068,822</u>	<u>1,728,226</u>	<u>3,063,645</u>
Financial liabilities						
Non-interest bearing		244,037	-	-	-	244,037
Fixed interest bearing loan	5.38	<u>28,761</u>	<u>86,285</u>	<u>47,937</u>	<u>-</u>	<u>162,983</u>
		<u>272,798</u>	<u>86,285</u>	<u>47,937</u>	<u>-</u>	<u>407,020</u>

## 42.6 Market risk

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates.

The Board and management have responsibility for the monitoring of market risk exposures by way of measurements through sensitivity analysis. Market information and additional analysis are also used to manage risk exposure and mitigate the limitation of sensitivity analysis.

**SUPREME VENTURES LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2010****42 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)****42.6 Market risk (Cont'd)**

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

**42.6.1 Foreign currency risk**

Foreign currency risk is the risk of loss arising from adverse movements in foreign exchange rates.

The Group is exposed to foreign currency risk as a result of transactions that are denominated in a currency other than the Jamaican dollar. The main currencies giving rise to the exposure is the United States Dollar, Canadian Dollar, the British Pound, the Cayman dollar and the Euro. The Group manages foreign currency risk through the establishment of limits for net open positions and matching foreign assets and liabilities as far as possible.

**Foreign currency risk management**

The Group manages its foreign currency risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency position. The Group further manages this risk by holding foreign currency balances.

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

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

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

## 42.6 Market risk (Cont'd)

## 42.6.1 Foreign currency risk (Cont'd)

	The Group									
	2010									
	USD		CDN		GBP		EUR		KYD	
	US\$ '000	J\$ Equiv. '000	Cdn\$ '000	J\$ Equiv. '000	£ '000	J\$ Equiv. '000	€ '000	J\$ Equiv. '000	Kyd\$ '000	J\$ Equiv. '000
Total assets	6,042	515,180	15	1,228	8	1,039	1	93	1	3
Total liabilities	(1,332)	(114,482)	-	-	-	-	-	-	-	-
Net exposure	<u>4,710</u>	<u>400,698</u>	<u>15</u>	<u>1,228</u>	<u>8</u>	<u>1,039</u>	<u>1</u>	<u>93</u>	<u>1</u>	<u>3</u>
	2009									
	USD		CDN		GBP		EUR		KYD	
	US\$ '000	J\$ Equiv. '000	Cdn\$ '000	J\$ Equiv. '000	£ '000	J\$ Equiv. '000	€ '000	J\$ Equiv. '000	Kyd\$ '000	J\$ Equiv. '000
Total assets	6,126	545,574	27	2,277	26	3,721	1	137	1	65
Total liabilities	(3,379)	(302,773)	-	-	-	-	-	-	-	-
Net exposure	<u>2,747</u>	<u>242,801</u>	<u>27</u>	<u>2,277</u>	<u>26</u>	<u>3,721</u>	<u>1</u>	<u>137</u>	<u>1</u>	<u>65</u>

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

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

## 42.6 Market risk (Cont'd)

## 42.6.1 Foreign currency risk (Cont'd)

	The Company			
	2010		2009	
	USD		USD	
	US\$ '000	J\$ Equiv. '000	US\$ '000	J\$ Equiv. '000
Total assets	51	4,357	357	31,782
Total liabilities	(528)	(45,528)	(1,819)	(162,983)
Net exposure	(477)	(41,171)	(1,462)	(131,201)

## 42.6.2 Foreign currency sensitivity

The Group's sensitivity to a 5% increase/decrease in the Jamaican dollar against the following currencies USD, CDN, KYD, GBP and Euro are demonstrated below and represent management's assessment of the possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust the translation at period end for a 5% change in the foreign currency rates.

The sensitivity of the 5% increase/decrease in the Jamaican dollar on the foreign currency exposure is reflected below (2009: 5% increase and 15% decrease):

	2010		2009	
	Increase/decrease		Increase	Decrease
	5%		5%	15%
	\$'000		\$'000	\$'000
USD	20,035		12,140	36,420
CDN	61		113	341
GBP	52		186	558
Euro	5		7	21
KYD	-		3	9
	<u>20,153</u>		<u>12,449</u>	<u>37,349</u>

The company

The sensitivity of the company to a 5% increase/decrease in the Jamaican dollar on the net United States dollar exposure would be \$2.05 million (2009: 5% increase - \$6.5 million; 15% decrease - \$19.6 million).

## SUPREME VENTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

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

## 42.6 Market risk (Cont'd)

## 42.6.3 Interest rate risk

Interest rate risk is the risk of loss due to adverse changes in interest rates. The risk of loss may arise from a decline in the market value of financial assets due to interest rate increases. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Mismatch of positions between assets and liabilities in periods of rising or declining interest rates may also result in loss of earnings. Management sets limits on the level of mismatch of interest rate repricing that may be undertaken. This is monitored on a periodic basis.

## Management of interest rate risk

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

The Group's and the company's exposure to interest rates on financial assets and financial liabilities are detailed in liquidity risk management (Note 42.5.2).

## 42.6.4 Interest rate risk management

The Group's and the company's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

Interest rate sensitivity has been determined based on the exposure to interest rates for the Group's long-term loan receivable and short-term deposits at the end of reporting period as these are substantially the interest sensitive instrument impacting financial results. For floating rate assets, the analysis assumes the amount of asset outstanding at the statement of financial position date was outstanding for the whole period. A 200 basis point increase or 100 basis point decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates. In 2009 the assumption was 500 basis point increase and 800 basis point decrease.

If market interest rates had been 100 basis points higher or 200 basis points lower and all other variables were held constant:

	The Group		The Company	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Effect on net surplus increase of 200 basis point	7,950	-	-	-
Effect on net surplus decrease 100 basis point	(3,975)	-	-	-
Effect on net surplus increase 500 basis point	-	17,790	-	27,908
Effect on net surplus decrease 800 basis point	-	(28,464)	-	(44,653)

**SUPREME VENTURES LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2010****42 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)****42.7 Capital management**

The capital structure of the Group consist of equity attributable to the shareholders of the parent company comprising issued capital, reserve, retained earnings and cash and bank balances.

The Group's objectives when managing its capital structure, which is a broader concept than the 'equity' on the face of the balance sheet, are:

- (i) To comply with the capital requirements set by the regulators;
- (ii) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and
- (iii) To maintain a strong capital base to support the development of its business.

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

**42.8 Fair value of financial instruments**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognized stock exchange) exists, is the best evidence of the fair value of a financial instrument. Market prices are not available for some of the financial assets and liabilities of the Group. Fair values in the financial statements have therefore been estimated using present values or other estimation and valuation techniques based on market conditions existing at balance sheet date. Generally, considerable judgment is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that the Group would realize in a current market exchange.

The following methods and assumptions have been used:

- (a) The face values, less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair value. These financial assets and liabilities include cash and bank balances, trade receivable and payables.
- (b) The carrying value of long-term receivables approximate their fair values as these receivables are carried at amortized cost and the interest rates are reflective of current market rates for similar transactions.
- (c) Available-for-sale investments which include unquoted shares are stated at cost less impairment adjustments as stated in Note 10.
- (d) The carrying value of long-term liabilities approximate the fair values as these loans are carried at amortized cost reflecting their contractual obligations and the interest rates are reflective of market rates for similar loans.