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## INDEPENDENT AUDITORS' REPORT

To the Commissioners of  
THE JAMAICA RACING COMMISSION

### Report on the Financial Statements

We have audited the financial statements of The Jamaica Racing Commission ("Commission"), set out on pages 3 to 29, which comprise the balance sheet as at March 31, 2007, the statements of income and expenses, changes in accumulated funds and cash flows for the year then ended, 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 Jamaica Racing Commission Act. This responsibility includes designing, implementing and maintaining internal controls 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 as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to 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 controls 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 controls. 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.



To the Commissioners of  
THE JAMAICA RACING COMMISSION

**Report on the Financial Statements, cont'd**

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

*Opinion*

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith and have been prepared in accordance with International Financial Reporting Standards, give a true and fair view of the state of the Commission's affairs as at March 31, 2007 and of its results of operations, changes in accumulated funds and cash flows for the year then ended, and comply with the provisions of The Jamaica Racing Commission Act.

KPMG

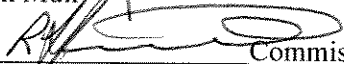
February 21, 2008

THE JAMAICA RACING COMMISSIONBalance Sheet  
March 31, 2007

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
NON-CURRENT ASSETS			
Property, plant and equipment	3	28,715,393	25,413,474
Long-term receivables	4	673,064	1,140,457
Deferred tax asset	5	<u>1,079,399</u>	<u>513,140</u>
Total non-current assets		<u>30,467,856</u>	<u>27,067,071</u>
CURRENT ASSETS			
Cash and cash-equivalents	6	1,645,421	6,265,925
Resale agreements	7	11,231,070	76,082,053
Short-term investments	8	12,192,068	20,528,074
Trade and other receivables	9	6,180,538	3,291,880
Inventory		395,372	-
Taxation recoverable		8,592,522	6,525,540
Current portion of long-term receivables	4	<u>1,924,310</u>	<u>1,538,789</u>
Total current assets		<u>42,161,301</u>	<u>114,232,261</u>
TOTAL ASSETS		<u>\$72,629,157</u>	<u>141,299,332</u>
ACCUMULATED FUNDS			
General fund		16,176,300	15,949,831
Reserve fund	10	850,442	850,442
Revaluation reserve		<u>503,182</u>	<u>386,229</u>
Total accumulated funds		<u>17,529,924</u>	<u>17,186,502</u>
NON-CURRENT LIABILITIES			
Long-term loan	11	8,128,114	9,755,289
Employee benefit obligation	12	<u>8,629,000</u>	<u>4,830,000</u>
Total non-current liabilities		<u>16,757,114</u>	<u>14,585,289</u>
CURRENT LIABILITIES			
Income tax payable		1,970,567	1,482,270
Trade and other payables	13	33,132,124	104,963,511
Current portion of long-term loan	11	<u>3,239,428</u>	<u>3,081,760</u>
Total current liabilities		<u>38,342,119</u>	<u>109,527,541</u>
Total liabilities		<u>55,099,233</u>	<u>124,112,830</u>
TOTAL ACCUMULATED FUNDS AND LIABILITIES		<u>\$72,629,157</u>	<u>141,299,332</u>

The financial statements on pages 3 to 29 were approved for issue by the Board of Commissioners on February 21, 2008 and signed on its behalf by:

  
Rudolph Muir Chairman

  
Robert Gore Commissioner

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

THE JAMAICA RACING COMMISSION

Statement of Income and Expenses  
Year ended March 31, 2007

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
INCOME			
Government subventions:			
Levy - JRC		13,876,143	36,693,605
Government Subsidy	14	<u>91,030,000</u>	<u>50,709,154</u>
		<u>104,906,143</u>	<u>87,402,759</u>
Other income:			
Fees, appeals, complaints		1,387,071	800,758
Fines		2,513,893	3,400,075
Occupational group insurance		9,972,363	9,810,866
Publications		108,583	80,110
Registration fees and permits	16	5,058,311	5,656,179
Apprentice Jockey		88,628	1,033,756
Assistant Trainers Course		833,600	-
Rent		404,000	450,000
Service fee - blood typing		1,244,121	1,238,320
Tattooing		311,500	291,300
Track license		100,000	100,000
Lasix administration		8,052,500	5,979,000
Lasix endoscopy		259,000	721,500
Finance income	15(a)	1,348,048	2,483,582*
Foreign exchange loss		-	( 10,256)
Gain on disposal of property, plant and equipment		-	14,506
Miscellaneous		<u>289,189</u>	<u>242,583</u>
		<u>31,970,807</u>	<u>32,292,279</u>
Total income		136,876,950	119,695,038
Expenses (from page 6)		(136,728,443)	(118,383,634)*
Surplus before taxation		148,507	1,311,404
Taxation credit/(charge)	17	<u>77,962</u>	( 196,494)
Surplus for the year		\$ <u>226,469</u>	<u>1,114,910</u>

\* Reclassified to conform to 2007 presentation.

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

THE JAMAICA RACING COMMISSION

Expenses

Year ended March 31, 2007

	<u>2007</u>	<u>2006</u>
Development:		
Equine drug testing	11,220,337	10,411,863
Equine sample collection	3,066,336	2,190,074
Industry Insurance Scheme – Premium	10,775,969	10,420,501
Parental verification (blood typing) equine	508,320	967,408
Racing year book & Stud Book	166,977	504,023
Training - Apprentice jockeys	322,084	1,255,236
Benefit/benevolent schemes	122,350	111,226
Veterinary scholarship	1,700,673	1,465,457
Veterinary on-call services	200,714	214,678
Micro Chips	200,958	-
Other	<u>1,033,471</u>	<u>977,781</u>
	<u>29,318,189</u>	<u>28,518,247</u>
Total subvention and support services to the racing industry (to page 6)	<u>\$29,318,189</u>	<u>28,518,247</u>

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

THE JAMAICA RACING COMMISSION

Expenses (Continued)  
Year ended March 31, 2007

	<u>Note</u>	<u>2007</u>	<u>2006</u>
<b>PERSONNEL EXPENSES</b>			
Salaries, wages and national insurance		47,191,904	37,410,844
Redundancy Payment		-	157,612
Commissioners' fees		2,423,926	1,823,267
First instance tribunal fees		1,157,880	772,264
National Housing Trust contributions		1,424,716	1,167,379
Group pension and health scheme		1,730,002	( 884,247)
Local travelling and upkeep		5,930,243	4,781,738
Overseas travelling		1,806,536	1,881,584
Staff educational development		1,019,171	1,241,216
Uniforms		816,099	774,248
Employee benefits	12(d)	9,444,000	12,001,000
Personal accident		176,654	130,460
Canteen expenses		<u>1,005,879</u>	<u>880,831</u>
		<u>74,127,010</u>	<u>62,138,196</u>
<b>ESTABLISHMENT EXPENSES</b>			
Light and power		2,359,560	2,124,166
Taxes, insurance and water rates		1,338,450	1,203,113
Depreciation of property, plant and equipment		4,739,466	4,637,222
Repairs to furniture and buildings		<u>4,577,698</u>	<u>2,896,712</u>
		<u>13,015,174</u>	<u>10,861,213</u>
<b>ADMINISTRATION EXPENSES</b>			
Advertising		101,069	48,102
Accounting		817,105	280,000
Audit fees - current year		770,000	500,000
- Prior year		-	90,000
Computer maintenance		244,991	299,832
Enquiries, appeals and complaints		358,782	252,404
Bank charges		142,489	227,830
Finance costs	15(b)	2,395,677	2,741,558*
Hall of Fame		2,023,548	1,733,398
Legal and other professional fees		2,095,283	1,803,754
Miscellaneous office expenses		3,073,128	1,254,239
Printing and stationery		1,225,388	1,301,548
Publication		109,871	102,972
Racing membership fee		148,542	613,289
Security services - office		1,339,023	1,190,426
Special entertainment		1,151,513	862,051
Sponsorship		1,510,839	1,009,739
General Consumption Tax		1,483,047	1,491,215
Telephone, postage and telegrams		<u>1,277,775</u>	<u>1,063,621</u>
		<u>20,268,070</u>	<u>16,865,978</u>
Total personnel, establishment, motor vehicle and administration expenses		107,410,254	89,865,387
Total subvention and support services to the racing industry (from page 5)		<u>29,318,189</u>	<u>28,518,247</u>
Total expenses for the year (to page 4)		<u>\$136,728,443</u>	<u>118,383,634*</u>

\* Reclassified to conform to 2007 presentation.

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

THE JAMAICA RACING COMMISSION

Statement of Changes in Accumulated Funds  
Year ended March 31, 2007

	<u>General Fund</u>	<u>Reserve Fund</u> (Note 10)	<u>Revaluation Reserve</u>	<u>Total</u>
Balances at March 31, 2005	14,834,921	2,129,112	214,739	17,178,772
Surplus, being total gains recognised for the year	1,114,910	-	-	1,114,910
Utilized during the year	-	(1,278,670)	-	(1,278,670)
Unrealised gain on available-for sale investments	<u>-</u>	<u>-</u>	<u>171,490</u>	<u>171,490</u>
Balances as at March 31, 2006	15,949,831	850,442	386,229	17,186,502
Surplus, being total losses recognised for the year	226,469	-	-	226,469
Unrealised gain on available-for-sale investments	<u>-</u>	<u>-</u>	<u>116,953</u>	<u>116,953</u>
Balances as at March 31, 2007	<u>\$ 16,176,300</u>	<u>850,442</u>	<u>503,182</u>	<u>17,529,924</u>

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

THE JAMAICA RACING COMMISSION

Statement of Cash Flows  
Year ended March 31, 2007

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Surplus for the year	226,469	1,114,910
Adjustments to reconcile surplus for the year to net cash (used)/provided by operating activities:		
Depreciation	4,739,466	4,654,288
Investment income	( 1,079,285)	( 2,023,007)
Interest expense	783,424	933,419
Gain on disposal of property, plant and equipment	-	( 14,506)
Employee benefits	3,799,000	4,361,000
Income tax (credit)/ expense	( 77,962)	196,494
Adjustment for interest imputed on concessionary loans from BG&LC and loans to staff	<u>1,343,490</u>	<u>1,347,564</u>
Operating profit before changes in working capital	9,734,602	10,570,162
(Increase)/decrease in:		
Accounts receivable	( 2,619,895)	14,987,998
Accounts payable	(73,443,639)	( 5,365,959)
Inventory	( 395,372)	-
Cash (used by)/generated from operations	(66,724,304)	20,192,201
Interest paid	( 783,424)	( 933,419)
Taxation paid	( 2,066,982)	( 2,975,453)
Net cash (used)/provided by operating activities	<u>(69,574,710)</u>	<u>16,283,329</u>
Cash flows from investment activities:		
Additions to property, plant and equipment	( 8,041,385)	( 3,760,725)
Proceeds from disposal of property, plant and equipment	-	170,920
Interest received	1,079,285	675,443
Resale agreements	64,850,983	(18,185,417)
Short-term investments	<u>8,336,005</u>	<u>11,985,873</u>
Net cash provided/(used) by investment activities	<u>66,224,888</u>	<u>( 9,113,906)</u>
Cash flows from financing activities:		
Bank overdraft	-	( 1,410,214)
Loan repayment	( 1,469,507)	( 1,123,626)
Loans to employees	81,872	223,533
Revaluation reserve	<u>116,953</u>	<u>(1,107,180)</u>
Net cash used by financing activities	<u>( 1,270,682)</u>	<u>(3,417,487)</u>
Net (decrease)/increase in cash and cash equivalents	( 4,620,504)	3,751,936
Cash and cash equivalents at beginning of the year	<u>6,265,925</u>	<u>2,513,989</u>
Cash and cash equivalents at end of the year	<u>\$ 1,645,421</u>	<u>6,265,925</u>

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



## THE JAMAICA RACING COMMISSION

### Notes to the Financial Statements March 31, 2007

#### 1. The Commission

The Jamaica Racing Commission ("Commission") is a Jamaican Statutory Body which regulates and controls horse racing in Jamaica. The Commission is domiciled in Jamaica and its principal place of business is located at 8 Winchester Road, Kingston 10.

The Commissioners as at March 31, 2007 are:

Mr. Rudolph Muir	-	Chairman
Dr. Michael Coore		
Mr. Hugh Levy		
Mr. Derrick White		
Mr. Andrew Mighty		
Mr. Robert Gore		
Mr. Walter Campbell		

Members of the management team are:-

Mrs. Ruth-Ann Smith-Sutherland, General Manager
Mr. Lloyd Cobran – Director of Racing
Mr. Ainsworth Carroll – Director of Finance & Administration
Dr. St. Aubyn Bartlett – Senior Veterinarian
Mr. Lawrence Brown – Information Technology Manager

The Commission has 34 (2006: 34) employees as at March 31, 2007.

#### 2. Statement of compliance, basis of preparation and significant accounting policies

##### (a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations, issued by the International Accounting Standards Board, (IASB) and comply with the provisions of the Jamaica Racing Commission Act.

##### (b) Basis of preparation:

The financial statements are prepared on the historical cost basis and are presented in Jamaica dollars (\$), which is the functional currency of the Commission.

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the balance sheet date and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

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

Judgements made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed in note 21.

THE JAMAICA RACING COMMISSION

Notes to the Financial Statements (Continued)  
March 31, 2007

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(c) Cash and cash-equivalents:

Cash and cash-equivalents comprise cash and bank balances, including short-term deposits, with maturity dates within three months of placement.

(d) Trade and other receivables:

Trade and other receivables are stated at amortised cost, less impairment losses [see note 2 (i)].

(e) Trade and other payables:

Trade and other payables are stated at cost.

(f) Provisions:

A provision is recognised in the balance sheet when the Commission has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability.

(g) Short-term investments:

Management determines the classification of investments at the time of purchase and takes account of the purpose for which the investments are made.

Short-term investments are classified as held-to-maturity and available-for-sale. Held-to-maturity investments are shown at amortised cost and available-for-sale investments are shown at fair value. Changes in fair value are recognised directly in reserve fund.

(h) Property, plant and equipment and depreciation:

- (i) Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the assets. The cost of replacing an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the asset will flow to the company and its cost can be reliably measured. The cost of day-to-day servicing of property, plant and equipment is recognised in surplus or loss as incurred.

## THE JAMAICA RACING COMMISSION

Notes to the Financial Statements (Continued)  
March 31, 2007

### 2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

#### (h) Property, plant and equipment and depreciation:

##### (ii) Depreciation:

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

Buildings	2½%
Computer equipment	20%
Furniture, fixtures and equipment	10%
Motor vehicles	20%

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

#### (i) Impairment:

- [i] The carrying amounts of the Commission's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of income and expenditure.

The recoverable amount of the Commission's originated loans and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

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

- [ii] Reversals of impairment:

An impairment loss in respect of originated loans and receivables is reversed, if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. For all other assets, an impairment loss is reversed, if there has been a change in the estimate used to determine the recoverable amount.

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

## THE JAMAICA RACING COMMISSION

### Notes to the Financial Statements (Continued)

March 31, 2007

#### 2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

##### (j) Resale agreements:

Resale agreements ("reverse repo") are short-term transactions whereby the Commission buys securities and simultaneously agrees to resell the securities on a specified date and at a specified price. Title to the security is not actually transferred, unless the counterparty fails to comply with the terms of the contract.

Reverse repos are accounted for as short-term collateralised lending. Reverse repos are classified as originated loans and receivables and measured at amortised cost.

The difference between the sale and repurchase considerations is recognised on the accrual basis over the period of the transaction and is included in interest income.

##### (k) Taxation:

Income tax on the results for the year comprises current and deferred tax. Income tax is recognised in the statement of income and expenditure, except to the extent that it relates to items recognised directly to accumulated funds, in which case it is recognised in accumulated funds.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable surpluses will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

##### (l) Employee benefits asset and obligation:

###### (i) General benefits:

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post-employment benefits are accounted for as described in (ii) and (iii) below. Other long-term benefits, including termination benefits, which arise when either (1) the employer decides to terminate an employee's employment before the normal retirement date or (2) an employee decides to accept voluntary redundancy in exchange for termination benefits, are accrued as they are earned and charged as an expense, unless not considered material, in which case they are charged when they are paid.

## THE JAMAICA RACING COMMISSION

Notes to the Financial Statements (Continued)  
March 31, 2007

### 2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

#### (l) Employee benefit asset and obligation (cont'd):

##### (i) General benefits (cont'd):

Employee benefits comprise all forms of consideration given by the Commission in exchange for service rendered by employees. These include current or short-term benefits such as salaries, NIS contributions paid, annual vacation and sick leave, and non-monetary benefits, such as medical care and housing.

##### (ii) Defined-benefit pension scheme:

The Commission operates a defined-benefit pension scheme (see note 12) providing benefits on final pensionable pay. The assets of the scheme are held separately from those of the Commission.

In respect of defined-benefit arrangements, employee benefits comprising pensions and other post-employment assets and obligations included in the financial statements are determined by a qualified independent actuary, appointed by management. The actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the Commission's post-employment benefit assets and obligations as computed by the actuary. In carrying out their audit, the auditors rely on the work of the actuary and the actuary's report.

The Commission's net benefit asset in respect of the defined-benefit pension schemes is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of scheme assets is deducted. The discount rate is the yield on long-term government securities that have maturity dates approximating the terms of the Commission's obligation. The calculation is performed by the independent, qualified actuary using the projected unit credit method.

When the benefits of the schemes are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the statement of statement of income and expenditure on the straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the statement of income and expenditure.

All actuarial gains and losses that arise subsequent to April 1, 2002, in calculating the Commission's obligation in respect of the scheme, to the extent that any cumulative actuarial gain or loss exceeds 10 percent of the greater of the present value of the defined benefit obligation and the fair value of scheme assets, that portion is recognised in the statement of income and expenditure over the expected average remaining working lives of the employees participating in the scheme. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit to the Commission, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the schemes or reductions in future contributions to the schemes.

THE JAMAICA RACING COMMISSION

Notes to the Financial Statements (Continued)  
March 31, 2007

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(m) Foreign currencies:

Foreign currency balances at the balance sheet date are translated at the rates of exchange ruling on that date.

Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions.

Gains and losses arising from exchange rate fluctuations are included in the statement of income and expenditure.

(n) Revenue recognition:

Income from Government of Jamaica subventions, fees, fines and other income is accounted for on the accrual basis.

(o) Related party transactions

A party is related to an entity, if:

- (i) directly, or indirectly through one or more intermediaries, the party:
  - (a) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries, where applicable);
  - (b) has an interest in the entity that gives it significant influence over the entity; or
  - (c) has joint control over the entity;
- (ii) the party is an associate of the entity;
- (iii) the party is a joint venture in which the entity is a venturer;
- (iv) the party is a member of the key management personnel of the entity or its parent;
- (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 (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

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

THE JAMAICA RACING COMMISSION

Notes to the Financial Statements (Continued)  
March 31, 2007

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(p) Adoption of new and revised IFRS and interpretations:

During the year, the following new and revised IFRS and interpretations which were in issue became effective:

IFRS 6	Exploration for and Evaluation of Mineral Resources	January 1, 2006
IFRIC 4	Determining whether an Arrangement Contains a Lease	January 1, 2006
IFRIC 5	Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	January 1, 2006
IAS 19 Amendments	Actuarial Gains & Losses, Group Plans and Disclosures	January 1, 2006
IAS 39 Amendments	The Fair Value Option	January 1, 2006
IAS 39 Amendments	Financial Instrument Cash Flow Hedge Accounting for Forecast Intra-group Transactions	January 1, 2006
IAS 39 Amendments	Financial Guarantee Contracts	January 1, 2006

There were no changes in the commission's significant accounting policies as a result of these new and revised standards and interpretations.

(q) New standards and interpretations not yet effective:

At the date of approval of the financial statements, the following new standards and interpretations were in issue but were not yet effective:

- *IFRS 7 Financial Instruments: Disclosures and the Amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures* require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the commission's 2008 financial statements, will require additional disclosures with respect to the company's financial instruments and share capital.
- *IFRS 8 Operating Segments* requires disclosures based on the components of the company that management monitors in making decisions about operating matters as well as qualitative disclosures on segments. The standard is not considered relevant to the commission and is not expected to have any impact on the financial statements.
- *IFRIC 8 Scope of IFRS 2 Shared-based Payments* addresses the accounting for share based payment transactions in which some or all goods or services received cannot be specially identified. IFRIC 8 is not considered relevant to the commission and is not expected to have any impact on the financial statements.

THE JAMAICA RACING COMMISSION

Notes to the Financial Statements (Continued)  
March 31, 2007

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(q) New standards and interpretations not yet effective (cont'd):

- *IFRIC 9 Reassessment of Embedded Derivatives* requires that a reassessment of whether an embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9, which becomes mandatory for the commission's 2008 financial statements, is not expected to have any impact on the financial statements.
- *IFRIC 10 Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset at cost. IFRIC 10 is not considered relevant to the commission and is not expected to have any impact on the financial statements.
- *IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions* addresses the classification of a share-based payment transaction (as equity or cash-settled), in the financial statements of the entity whose employees are entitled to the share-based payment, where equity instruments of the parent are transferred in settlement of the obligation. IFRIC 11 is not considered relevant to the commission and is not expected to have any impact on the financial statements.
- *IFRIC 12 Service Concession Arrangements* addresses the accounting requirements for public-to-private service concession arrangements in private sector entities. IFRIC 12 is not considered relevant to the commission and is not expected to have any impact on the financial statements.
- *IFRIC 13 Customer Loyalty Programmes* requires the recognition of award credits as a separately identifiable component of a sales transaction and consequently defer the recognition of revenue for the awards. IFRIC 13 is not expected to have any material impact on the financial statements.
- *IFRIC 14 – IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction* addresses the availability of a refund of surplus or a reduction in future contributions when a minimum funding requirement (MFR) exists. IFRIC 14 is not expected to have any material impact on the financial statements.
- *IAS 1 (revised 2007) Presentation of Financial Statements* requires the presentation of all non-owners changes in equity in one or two statements: either in a single statement of comprehensive income, or in an income statement and in a statement of comprehensive income. The standard becomes mandatory for the company's 2010 financial statements and will result in changes to the presentation of the financial statements.



THE JAMAICA RACING COMMISSION

Notes to the Financial Statements (Continued)

March 31, 2007

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(q) New standards and interpretations not yet effective (cont'd):

- *IAS 23 (Revised) - Borrowing Costs* removes the option of immediately recognising all borrowing costs as an expense. The revised standard requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. IAS 23 (Revised) will become mandatory for accounting periods beginning on or after January 1, 2009.

3. Property, plant and equipment

	<u>Freehold land</u>	<u>Buildings</u>	<u>Computer equipment</u>	<u>Furniture, fixtures and equipment</u>	<u>Total</u>
At cost:					
March 31, 2005	51,000	2,990,740	4,763,303	38,102,092	45,907,135
Additions	-	632,898	731,569	2,396,258	3,760,725
Disposals	-	-	( 113,770)	( 59,710)	( 173,480)
March 31, 2006	51,000	3,623,638	5,381,102	40,438,640	49,494,380
Additions	-	4,880,514	1,293,796	1,867,075	8,041,385
March 31, 2007	<u>51,000</u>	<u>8,504,152</u>	<u>6,674,898</u>	<u>42,305,715</u>	<u>57,535,765</u>
Depreciation:					
March 31, 2005	-	993,170	3,235,620	15,214,894	19,443,684
Charge for the year	-	84,719	582,866	3,986,703	4,654,288
Eliminated on disposal	-	-	( 13,063)	( 4,003)	( 17,066)
March 31, 2006	-	1,077,889	3,805,423	19,197,594	24,080,906
Charge for the year	-	114,096	553,957	4,071,413	4,739,466
March 31, 2007	<u>-</u>	<u>1,191,985</u>	<u>4,359,380</u>	<u>23,269,007</u>	<u>28,820,372</u>
Net book values:					
March 31, 2007	<u>\$51,000</u>	<u>7,312,167</u>	<u>2,315,518</u>	<u>19,036,708</u>	<u>28,715,393</u>
March 31, 2006	<u>\$51,000</u>	<u>2,545,749</u>	<u>1,575,679</u>	<u>21,241,046</u>	<u>25,413,474</u>
March 31, 2005	<u>\$51,000</u>	<u>1,997,570</u>	<u>1,527,683</u>	<u>22,887,198</u>	<u>26,463,451</u>

Buildings include \$1,263,800 (2006: \$1,263,800) which is the cost of a Jockeys school, which was built on land leased for 49 years [see note 18 (a)].

THE JAMAICA RACING COMMISSION

Notes to the Financial Statements (Continued)  
March 31, 2007

4. Long-term receivables

	<u>2007</u>	<u>2006</u>
Loans to employees, re-measured for concessionary interest rate	2,799,673	3,150,308
Less: Current portion	(1,924,310)	(1,538,789)
Re-measurement for concessionary interest rate	( 202,299)	( 471,062)
	<u>\$ 673,064</u>	<u>1,140,457</u>

Loans to employees are unsecured, bear interest at 8% per annum and are repayable between 1 to 6 years.

5. Deferred tax asset

	<u>2007</u>	<u>2006</u>
Deferred tax asset is attributable to the following:		
Employee benefit asset	632,793	305,900
Property, plant and equipment	( 145,501)	(217,491)
Trade and other payables	<u>592,107</u>	<u>424,731</u>
	<u>\$1,079,399</u>	<u>513,140</u>

Movement in temporary differences during the year:

	<u>Balance at March 31, 2006</u>	<u>Recognised in income [note 17 (a) (ii)]</u>	<u>Balance at March 31, 2007</u>
Property, plant and equipment	(217,491)	71,990	( 145,501)
Other payables and accruals	424,731	167,376	592,107
Pension asset	<u>305,900</u>	<u>326,893</u>	<u>632,793</u>
	<u>\$513,140</u>	<u>566,259</u>	<u>1,079,399</u>

6. Cash and cash equivalents

	<u>2007</u>	<u>2006</u>
RBTT Bank of Jamaica Limited:		
Current account - Lasix	2,449,228	1,540,078
Current - Main	(5,513,099)	2,000,589
Purse account	40,882	176,436
Foreign currency account	515,517	87,157
Fixed deposit account - Jamaica Public Service Company Limited (JPSCo)	771,586	708,927
Racing Industry Insurance Scheme/NCB	2,962,383	1,362,699
Petty cash imprest and cash in hand	10,000	6833
NCB current account	392,884	370,816
NCB savings account	<u>16,040</u>	<u>12,390</u>
	<u>\$1,645,421</u>	<u>6,265,925</u>

THE JAMAICA RACING COMMISSIONNotes to the Financial Statements (Continued)  
March 31, 20077. Resale agreements

	<u>2007</u>	<u>2006</u>
Purse		
- NCB Capital Market Limited	-	10,235,915
- City of Kingston Credit Union Limited (COK)	-	5,288,960
- JN Fund Managers Limited	-	23,882,480
- Dehring, Bunting & Golding Limited (DB&G)	-	5,075,890
- Jamaica Money Market Brokers Limited (JMMB)	9,237,272	25,784,380
Racing Industry Health Scheme (RIHS) - JMMB	-	1,709,259
City of Kingston Credit Union Limited	-	3,017,630
Capital Credit Merchant Bank Limited (CCMB)	900,898	816,352
Jamaica Money Market Brokers Limited	<u>1,092,900</u>	<u>271,187</u>
	<u>\$11,231,070</u>	<u>76,082,053</u>

The fair value of the underlying securities for securities purchased under resale agreements is \$11,231,070 (2006:\$75,414,832).

8. Short-term investments

	<u>2007</u>	<u>2006</u>
Available-for-sale, stated at fair value:		
DB&G - Money Market Fund units	719,668	7,029,932
Barita Unit Trust Investments:		
Reserve fund (note 10)	<u>1,353,624</u>	<u>1,236,672</u>
	<u>2,073,292</u>	<u>8,266,604</u>
Certificates of deposit:		
Purse – COK	4,304,692	-
- CCMB	-	6,594,002
City of Kingston Credit Union Limited	5,814,084	-
Loan participation		
Purse – CCMB	<u>-</u>	<u>5,667,468</u>
	<u>10,118,776</u>	<u>12,261,470</u>
	<u>\$12,192,068</u>	<u>20,528,074</u>

9. Trade and other receivables

	<u>2007</u>	<u>2006</u>
Levy receivable allocated to JRC	5,172,093	2,372,443
Deposit with JPSCo	25,323	25,323
Prepaid expenses	<u>983,122</u>	<u>894,114</u>
	<u>\$ 6,180,538</u>	<u>3,291,880</u>

THE JAMAICA RACING COMMISSION

Notes to the Financial Statements (Continued)  
March 31, 2007

10. Reserve fund

This is represented by funds held with Barita Unit Trust (note 8).

11. Long-term loan

	<u>2007</u>	<u>2006</u>
Betting Gaming & Lotteries Commission Loan	13,986,475	17,068,235
Effect of IFRS Re-measurement – IAS 39	<u>(2,618,933)</u>	<u>(4,231,186)</u>
	11,367,542	12,837,049
Less: Current portion	<u>(3,239,428)</u>	<u>(3,081,760)</u>
	<u>\$ 8,128,114</u>	<u>9,755,289</u>

This represents the balance on a \$20 million five-year loan from the Betting Gaming & Lotteries Commission (BG&LC) in 2003, bearing interest at 12½% per annum on the reducing balance method, and is secured by a promissory note and a corporate resolution from The Jamaica Racing Commission. Interest was payable in the first two years of the loan, while principal was payable thereafter.

On March 30, 2005 the conditions of the loan were amended with a reduction of interest rate to 5% and an extension of the payment period to six (6) years.

12. Employee benefit obligation

The actuarial report states “that the assets were allocated between two companies, BG&LC and the Commission on the basis of projected benefit obligation. This basis of allocation is not economic because the contribution and premium rates are composite rates and, therefore, the accounts and assets schedule are purely notional”.

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

(a) Employee benefit obligation:

	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>
Present value of obligations	116,121	90,383
Fair value of plan asset	<u>(107,492)</u>	<u>(85,553)</u>
	8,629	4,830
Asset not recognised	( 25,908)	(20,437)
Unrecognised actuarial losses	<u>25,908</u>	<u>20,437</u>
Net obligation at end of year	<u>8,629</u>	<u>4,830</u>

THE JAMAICA RACING COMMISSION

Notes to the Financial Statements (Continued)  
March 31, 2007

12. Employee benefit obligation (cont'd)

(b) Movement in the net obligation recognised in the balance sheet:

	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>
Net obligations at January 1	4,830	469
Contributions	( 5,645)	(7,640)
Expense recognized in income statement	9,444	12,001
Net obligation at March 31	<u>8,629</u>	<u>4,830</u>

(c) (i) Movements in the liability for defined benefit obligations recognised in the balance sheet:

	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>
Balance at beginning of year	4,830	469
Benefits paid	(5,645)	(7,640)
Service and interest costs	14,026	11,595
Actuarial gain	712	213
Expected return on plan asset	(10,765)	(9,234)
Change in unrecognised asset	<u>5,471</u>	<u>9,427</u>
Balance at end of year	<u>8,629</u>	<u>4,830</u>

(c) (ii) Movements in plan assets:

	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>
Fair value of plan assets at April 1	85,553	73,405
Contributions paid	9,331	10,783
Expected return on plan assets	10,765	9,234
Benefits paid	( 772)	( 3,478)
Actuarial gain /(loss)	<u>2,615</u>	<u>( 4,391)</u>
Fair value of plan assets on March 31	<u>107,492</u>	<u>85,553</u>

Plan assets consist of the following:

Equity	27,543	18,822
Mortgage & real estate	18,009	14,544
Fixed Income	49,789	44,488
Money Mortgage Fund	3,178	3,422
Foreign Exchange	7,414	4,277
Other	<u>1,559</u>	<u>-</u>
	<u>107,492</u>	<u>85,553</u>

THE JAMAICA RACING COMMISSIONNotes to the Financial Statements (Continued)  
March 31, 200712. Employee benefit obligation (cont'd)

## (d) (Credit)/expense recognised in income statement:

	<u>2006</u> <u>\$'000</u>	<u>2007</u> <u>\$'000</u>
Current service costs	3,225	2,933
Interest on obligation	10,801	8,662
Actuarial gains recognised	712	213
Expected return on plan assets	(10,765)	(9,234)
Change in unrecognised asset	(5,471)	9,427
Expense recognised in income statement (page 6)	<u>9,444</u>	<u>12,001</u>
Actual return on plan assets	<u>12%</u>	<u>12.5%</u>

## (e) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)

	<u>2007</u> <u>%</u>	<u>2006</u> <u>%</u>
Discount rate at December 31	12.0	12.5
Expected return on plan assets at December 31	12.0	12.5
Future salary increases	9.0	10.0
Future pension increases	3.5	3.5
Future health cost increases	<u>7.0</u>	<u>7.0</u>

The overall expected long-term rate of return of assets is 9.5%. The expected long-term rate of return is based on the experience of the scheme and represents the best estimate of anticipated experience under the scheme.

## (f) Historical information:

	<u>2007</u> <u>\$'000</u>	<u>2006</u> <u>\$'000</u>	<u>2005</u> <u>\$'000</u>	<u>2004</u> <u>\$'000</u>	<u>2003</u> <u>\$'000</u>
Present value of the defined benefit obligation	(116,121)	(90,383)	(73,874)	47,876	(46,447)
Fair value of plan assets	<u>107,492</u>	<u>85,553</u>	<u>73,405</u>	<u>53,588</u>	<u>45,008</u>
(Deficit)/ surplus in plan	<u>( 8,629)</u>	<u>( 4,830)</u>	<u>( 469)</u>	<u>5,712</u>	<u>(1,439)</u>
Experience adjustments arising on plan liabilities	8,798	5,249	15,610	( 7,861)	5,682
Experience adjustments arising on plan assets	<u>2,615</u>	<u>4,391</u>	<u>4,854</u>	<u>2,005</u>	<u>509</u>

THE JAMAICA RACING COMMISSION

Notes to the Financial Statements (Continued)  
March 31, 2007

12. Employee benefit obligation (cont'd)

- (g) The estimated pension contribution expected to be paid into the plan for the next financial year is \$8,626,000.

13. Trade and other payables

	<u>2007</u>	<u>2006</u>
Government levy scheme contributions – Purse [see note 20 (b)]	16,442,799	94,407,531
Benevolent Fund account	513,312	390,963
Special revolving loan fund	318,699	318,699
Contractual payments – University of the West Indies	646,584	544,055
Statutory deductions	1,153,380	-
Accrued vacation	8,074,192	6,706,282
Other	<u>6,003,158</u>	<u>2,595,981</u>
	<u>\$ 33,132,124</u>	<u>104,963,511</u>

14. Budgetary Subvention from the Government

This represents subvention received, at the request of the Ministry of Finance and Planning, in respect of the Commission's projected deficit.

15. Financing income/(costs)

	<u>2007</u>	<u>2006</u>
(a) Finance income:		
Interest on fixed deposits	920,147	264,612
Interest on savings – money market fund	-	1,430,622
– other	<u>427,901</u>	<u>788,348</u>
	<u>\$1,348,048</u>	<u>2,483,582</u>
(b) Finance costs:		
Loan interest – BG LC, being financial expense	<u>\$(2,395,677)</u>	<u>( 2,741,558)</u>

THE JAMAICA RACING COMMISSION

Notes to the Financial Statements (Continued)  
March 31, 2007

16. Registration fees and permits

	<u>2007</u>	<u>2006</u>
Registration of claims	948,500	756,500
Registration and transfers	3,061,811	2,584,279
Occupational permits	439,500	436,000
Owners permits	<u>554,500</u>	<u>1,879,400</u>
	<u>\$5,058,311</u>	<u>5,656,179</u>

17. Taxation

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

- (a) The charge for taxation for the year is based on the surplus before taxation, as adjusted for tax purposes, and is made up as follows:

	<u>2007</u>	<u>2006</u>
(i) Current tax charge:		
Income tax at 33 1/3%	488,297	556,220
(ii) Deferred tax charge:		
Origination of temporary differences (note 5)	<u>(566,259)</u>	<u>( 359,726)</u>
Tax (credit)/charge recognised in the statement of income and expenses	<u>\$ ( 77,962)</u>	<u>196,494</u>

- (b) The effective tax rate is (52.50)% (2006: 14.98%) of pre-tax surplus of \$ 148,507 (2006: \$1,311,404), compared to a statutory rate of 33 1/3% (2006: 33 1/3%). The actual tax charge differed from the expected tax charge for the year as follows:

	%	<u>2007</u>	%	<u>2006</u>
		<u>\$</u>		<u>\$</u>
(Deficit)/surplus before taxation		<u>148,507</u>		<u>\$1,311,404</u>
Computed "expected" tax charge at 33 1/3%	33.33	49,502	33.33	437,135
Difference between profit for financial statement and tax reporting purposes on:				
Depreciation and capital allowances	( 963.72)	383,515	( 25.01)	327,928
Disallowed expenses	( 243.16)	77,703	1.03	13,526
Employee benefit obligation	(2,360.69)	939,440	87.79	1,177,470
Trade and other payables	( 725.20)	288,594	( 3.56)	( 46,650)
Income exempt from income tax	<u>4,407.46</u>	<u>(1,753,949)</u>	<u>(130.62)</u>	<u>(1,712,915)</u>
Actual tax (credit)/charge	<u>( 52.50)</u>	<u>( 77,962)</u>	<u>14.98</u>	<u>196,494</u>



## THE JAMAICA RACING COMMISSION

### Notes to the Financial Statements (Continued)

March 31, 2007

#### 18. Commitments

- (a) The Commission entered into a forty-nine (49) - year land lease agreement with the Urban Development Corporation in respect of premises tenanted by the Jockey Club at an annual rental of \$5,000 (see note 3). The unexpired portion of the lease is payable as follows:

	<u>2007</u>	<u>2006</u>
Within one year	5,000	5,000
Subsequent years	<u>155,000</u>	<u>160,000</u>
	<u>\$160,000</u>	<u>165,000</u>

- (b) In 1997, in addition to an ex-gratia payment of \$50,000 which was made in that year to a former employee, the Commission agreed that a monthly payment of \$3,000 be made towards the former employee's upkeep.

#### 19. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash-equivalents, resale agreements, short-term investments, trade and other receivables and long-term receivables. Similarly, financial liabilities comprise bank overdraft, trade and other payable and long-term loan.

- (a) Fair values:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

The fair values of cash and cash equivalents, trade and other receivables, bank overdraft and trade and other payables are assumed to approximate their carrying values due to their short-term nature.

The fair value of resale agreements is as shown in note 7.

The fair value of long-term loan and receivables is assumed to approximate, to their carrying values as no discount on settlement or loss on realisation is anticipated.

- (b) Financial instrument risks:

Exposure to credit, interest rate, foreign currency, market, liquidity and cash flow risks arises in the ordinary course of the Commission's business. No derivative instruments are presently used to manage, mitigate or eliminate exposure to financial instrument risks.

THE JAMAICA RACING COMMISSIONNotes to the Financial Statements (Continued)  
March 31, 200719. Financial instruments (cont'd)

## (b) Financial instrument risks (cont'd):

## (i) Credit risk:

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

At balance sheet date, except for cash and cash equivalents, resale agreements, short-term investments, trade and other receivables and long-term loans there are no other significant concentration of credit risk and the maximum exposure to credit risk is represented by the carrying amount of each financial asset. Management maintains cash and cash equivalents, resale agreements, and short-term investments with reputable financial institutions. Management also has an established policy in place for granting loans to staff and to rigorously follow-up collection of receivables.

## (ii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Loans are subject to a fixed rate which may be varied by appropriate notice from the lender. The Commission's exposure to interest rate risk is limited to its short-term deposits and investments and loan balances.

## (iii) Foreign currency risk:

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

The Commission is exposed to this risk on transactions that it undertakes in currencies other than the Jamaica dollar. The main foreign currency giving rise to this is the US\$. The Commission manages this risk by ensuring that net exposure is kept at an acceptable level, by regularly reviewing exchange rates and foreign currency instruments.

Net foreign currency asset at year-end was US\$7,604 (2006: US\$1,331).

## (iv) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Commission's only exposure to market risk is in respect of investments of \$2,073,280 (2006: \$20,528,074) (note 8).



## THE JAMAICA RACING COMMISSION

Notes to the Financial Statements (Continued)  
March 31, 2007

### 21. Accounting estimates and judgements

#### (a) Pension and other post-retirement benefits

The amounts recognised in the balance sheet and income statement for pension and other post-retirement benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include expected long-term return on plan assets, the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-retirement obligations and the expected rate of increase in medical costs for post-retirement medical benefits.

The expected return on plan assets assumed considering the long-term historical returns, asset allocation and future estimates of long-term investment returns. The discount rate is determined based on the estimate of yield on long-term government securities that have maturity dates approximating the terms of the Commission's obligation; in the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenor security on the market. The estimate of expected rate of increase in medical costs is determined based on inflationary factors. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

#### (b) Residual values and useful lives of property, plant and equipment

The residual value and the useful life of each asset are reviewed at least at each financial year-end, and, if expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. The useful life of an asset is defined in terms of the asset's expected utility to the Commission.

It is reasonably probably, based on existing knowledge, that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

### 22. Contingencies

At balance sheet date, the Commission was contingently liable in respect of the following:

- (a) In this suit the Claimant seeks damages for an alleged libel published against him in the Jamaica Observer on the 30<sup>th</sup> September 2003 and again on the radio program "Scoreboard" aired on the 6<sup>th</sup> October 2003 on KLAS FM. The words complained of were actually written and spoken on the radio by the 1<sup>st</sup> Defendant, Dr. St. Aubyn Bartlett who was at the time, and still is, employed to the Racing Commission as its Chief Veterinarian.

The matter has been referred to Mediation and we are now in the process of selecting a Mediator and scheduling a date for the Mediation. A further Case Management Conference is set for September 24, 2007 and Pre-trial Review and Trial dates have been set for February 7, 2008 and May 27-29, 2008 respectively in the event that the mediation does not bring about an amicable resolution of the matter.

The Commissions' legal advisors are of the opinion that in the event that this matter goes to trial, the Commission should be able to successfully defend the same. It is there opinion that in unlikely event that the Court rules against the Commission, liability may be anywhere between \$1.5 million and \$20 million dollars.

THE JAMAICA RACING COMMISSION

Notes to the Financial Statements (Continued)  
March 31, 2007

22. Contingencies (cont'd)

- (b) This matter concerns an appeal by Ralph Porter, a race horse trainer. His appeal was against an Order made by the Supreme Court in 2002 dismissing his application for the decision made by the Commission in relation to the positive drug testing of the horse trained by him to be quashed.

This appeal was also dismissed in December 2003 and costs in the amount of \$280,042.25 plus interest were awarded to the Commission. All outstanding costs awarded by the Court to the Commission have now been settled.