



KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, W.I.

P.O. Box 76
Kingston
Jamaica, W.I.
Telephone +1 (876) 922-6640
Fax +1 (876) 922-7198
+1 (876) 922-4500
e-Mail firmmail@kpmg.com.jm

To the Commissioners of
THE JAMAICA RACING COMMISSION

Auditors' Report

We have audited the financial statements of The Jamaica Racing Commission ("Commission") as at and for the year ended March 31, 2006, set out on pages 2 to 26, and have obtained all the information and explanations which we required. The financial statements are the responsibility of the Commission's management. 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 plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our 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, 2006 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.

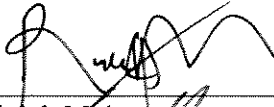
October 26, 2006


THE JAMAICA RACING COMMISSION

Balance Sheet
March 31, 2006

	<u>Notes</u>	<u>2006</u>	<u>2005</u>
NON-CURRENT ASSETS			
Property, plant and equipment	3	25,413,474	26,463,451
Long-term receivables	4	1,140,457	2,307,895
Deferred tax asset	5	<u>513,140</u>	<u>153,414</u>
Total non-current assets		<u>27,067,071</u>	<u>28,924,760</u>
CURRENT ASSETS			
Cash and cash-equivalents	6	6,265,925	2,513,989
Resale agreements	8	76,082,053	57,896,636
Short-term investments	9	20,528,074	32,513,947
Trade and other receivables	10	3,291,880	18,279,878
Taxation recoverable		6,525,540	3,550,087
Current portion of long-term receivables	4	<u>1,538,789</u>	<u>594,884</u>
Total current assets		<u>114,232,261</u>	<u>115,349,421</u>
TOTAL ASSETS		<u>\$141,299,332</u>	<u>144,274,181</u>
ACCUMULATED FUNDS			
General fund		15,949,831	14,834,921
Reserve fund	11	<u>1,236,671</u>	<u>2,343,851</u>
Total accumulated funds		<u>17,186,502</u>	<u>17,178,772</u>
NON-CURRENT LIABILITIES			
Long-term loan	12	9,755,289	11,028,910
Employee benefit obligation	13	<u>4,830,000</u>	<u>469,000</u>
Total non-current liabilities		<u>14,585,289</u>	<u>11,497,910</u>
CURRENT LIABILITIES			
Bank overdraft (unsecured)		-	1,410,214
Income tax payable		1,482,270	926,050
Trade and other payables	14	104,963,511	110,329,470
Current portion of long-term loan	12	<u>3,081,760</u>	<u>2,931,765</u>
Total current liabilities		<u>109,527,541</u>	<u>115,597,499</u>
Total liabilities		<u>124,112,830</u>	<u>127,095,409</u>
TOTAL ACCUMULATED FUNDS AND LIABILITIES		<u>\$141,299,332</u>	<u>144,274,181</u>

The financial statements on pages 2 to 26 were approved for issue by the Board of Commissioners on **26th October**, 2006 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 Expenditure
Year ended March 31, 2006

	<u>Notes</u>	<u>2006</u>	<u>2005</u>
INCOME			
Government subventions:			
Levy - JRC		36,693,605	47,421,550
Government Subsidy	15	<u>50,709,154</u>	<u>45,979,650</u>
		<u>87,402,759</u>	<u>93,401,200</u>
Other income:			
Fees, appeals, complaints		800,758	1,185,997
Fines		3,400,075	1,692,500
Other interest		-	4,293,616
Occupational group insurance		9,810,866	8,458,560
Publications		80,110	198,900
Registration fees and permits	16	5,656,179	4,037,183
Apprentice Jockey		1,033,756	-
Rent		450,000	306,000
Service fee - blood typing		1,238,320	1,379,712
Tattooing		291,300	293,150
Track license		100,000	100,000
Lasix administration		5,979,000	4,949,140
Lasix endoscopy		721,500	205,000
Foreign exchange (loss)/gain		(10,256)	44,659
Gain on disposal of property, plant and equipment		14,506	8,000
Miscellaneous		<u>242,583</u>	<u>216,934</u>
		<u>29,808,697</u>	<u>27,369,351</u>
Total income		117,211,456	120,770,551
EXPENDITURE			
Net financing costs	7	(257,976)	(2,405,444)
Total expenditure for the year (from page 5)		<u>(115,642,076)</u>	<u>(106,272,601)</u>
Surplus after net financing costs		1,311,404	12,092,506
Taxation	17	(196,494)	(313,475)
Surplus for the year		<u>\$ 1,114,910</u>	<u>11,779,031</u>

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

THE JAMAICA RACING COMMISSION

Expenditure
Year ended March 31, 2006

	<u>2006</u>	<u>2005</u>
GRANTS AND SUPPORT SERVICES		
Subvention:		
Contribution to - Yearling sale	<u>-</u>	<u>190,951</u>
Development:		
Equine drug testing	10,411,863	11,258,645
Equine sample collection	2,190,074	2,845,987
Industry Insurance Scheme – Premium	10,420,501	9,203,151
Parental verification (blood typing) equine	967,408	1,058,403
Racing year book & Stud Book	504,023	217,613
Training - Apprentice jockeys	1,255,236	-
Benefit/benevolent schemes	111,226	779,270
Veterinary scholarship	1,465,457	1,576,144
Veterinary on-call services	214,678	171,349
Other	<u>977,781</u>	<u>403,954</u>
	<u>28,518,247</u>	<u>27,514,516</u>
Total subvention and support services to the racing industry (to page 5)	<u>\$28,518,247</u>	<u>27,705,467</u>

THE JAMAICA RACING COMMISSION

Expenditure (Continued)
Year ended March 31, 2006

	<u>Note</u>	<u>2006</u>	<u>2005</u>
PERSONNEL EXPENSES			
Salaries, wages and national insurance		37,410,844	36,018,720
Redundancy Payment		157,612	-
Commissioners' fees		1,823,267	2,104,591
First instance tribunal fees		772,264	616,100
National Housing Trust contributions		1,167,379	1,158,285
Group pension and health scheme		(884,247)	2,515,301
Local travelling and upkeep		4,781,738	3,980,631
Overseas travelling		1,881,584	984,140
Staff educational development		1,241,216	892,818
Uniforms		774,248	468,407
Employee benefits	13(a)(ii)	12,001,000	10,774,000
Personal accident		130,460	128,176
Canteen expenses		<u>880,831</u>	<u>571,107</u>
		<u>62,138,196</u>	<u>60,212,276</u>
ESTABLISHMENT EXPENSES			
Light and power		2,124,166	1,691,522
Taxes, insurance and water rates		1,203,113	1,218,888
Depreciation of property, plant and equipment		4,637,222	4,309,087
Repairs to furniture and buildings		<u>2,896,712</u>	<u>714,881</u>
		<u>10,861,213</u>	<u>7,934,378</u>
ADMINISTRATION EXPENSES			
Advertising		48,102	15,800
Accounting		280,000	-
Audit fees - current year		500,000	450,000
- Prior year		90,000	-
Computer maintenance		299,832	326,043
Enquiries, appeals and complaints		252,404	223,528
Bank charges		227,830	175,629
Hall of Fame		1,733,398	1,366,518
Legal and other professional fees		1,803,754	1,026,872
Miscellaneous office expenses		1,254,239	1,243,952
Printing and stationery		1,301,548	895,655
Publication		102,972	118,188
Racing membership fee		613,289	245,746
Security services - office		1,190,426	1,075,816
Special entertainment		862,051	974,155
JRC Anniversary		-	19,383
Sponsorship		1,009,739	-
General Consumption Tax		1,491,215	1,406,589
Telephone, postage and telegrams		<u>1,063,621</u>	<u>856,606</u>
		<u>14,124,420</u>	<u>10,420,480</u>
Total personnel, establishment, motor vehicle and administration expenses		87,123,829	78,567,134
Total subvention and support services to the racing industry (from page 4)		<u>28,518,247</u>	<u>27,705,467</u>
Total expenditure for the year (to page 3)		<u>\$115,642,076</u>	<u>106,272,601</u>

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

Statement of Changes in Accumulated Funds
Year ended March 31, 2006

	<u>General Fund</u>	<u>Reserve Fund</u> (Note 11)	<u>Other reserve</u>	<u>Total</u>
Balances at March 31, 2004	(269,371)	2,129,112	3,540,000	5,399,741
Transfer of pension surplus, net of deferred tax	3,540,000	-	(3,540,000)	-
Surplus, being total gains recognised for the year	11,779,031	-	-	11,779,031
Transfer to reserve fund	<u>(214,739)</u>	<u>214,739</u>	<u>-</u>	<u>-</u>
Balances as at March 31, 2005	14,834,921	2,343,851	-	17,178,772
Surplus, being total gains recognised for the year	1,114,910	-	-	1,114,910
Transfer from reserve fund	<u>-</u>	<u>(1,107,180)</u>	<u>-</u>	<u>(1,107,180)</u>
Balances as at March 31, 2006	<u>\$15,949,831</u>	<u>1,236,671</u>	<u>-</u>	<u>17,186,502</u>

THE JAMAICA RACING COMMISSION

Statement of Cash Flows
Year ended March 31, 2006

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Surplus for the year	1,114,910	11,779,031
Adjustments to reconcile surplus for the year to net cash provided by operating activities:		
Depreciation	4,654,288	4,309,088
Investment income	(2,023,007)	(7,511,029)
Interest expense	933,419	2,500,000
Gain on disposal of property, plant and equipment	(14,506)	-
Employee benefit	4,361,000	5,779,000
Deferred tax liability	(359,726)	(612,575)
Income tax expense	556,220	926,050
Adjustment for interest imputed on concessionary loans from BG&LC and loans to staff	<u>1,347,564</u>	<u>(3,052,597)</u>
Operating profit before changes in working capital and provisions	10,570,162	14,116,968
(Increase)/decrease in:		
Accounts receivable	14,987,998	(1,561,778)
Accounts payable	<u>(5,365,959)</u>	<u>20,589,927</u>
Cash generated from operations	20,192,201	33,145,117
Interest paid	<u>(933,419)</u>	<u>(2,500,000)</u>
Taxation paid	<u>(2,975,453)</u>	<u>(3,117,100)</u>
Net cash provided by operating activities	<u>16,283,329</u>	<u>27,528,017</u>
Cash flows from investment activities:		
Additions to property, plant and equipment	(3,760,725)	(5,996,033)
Proceeds from disposal of property, plant and equipment	170,920	-
Interest received	675,443	7,511,029
Increase in resale agreements	(18,185,417)	(24,727,687)
Decrease/(Increase) in short-term investments	<u>11,985,873</u>	<u>(8,189,874)</u>
Net cash used by investment activities	<u>(9,113,906)</u>	<u>(31,402,565)</u>
Cash flows from financing activities:		
Bank overdraft	(1,410,214)	1,410,214
Loan repayment	(1,123,626)	-
Loans to employees	223,533	(602,405)
Reserve fund	<u>(1,107,180)</u>	<u>-</u>
Net cash (used)/provided by financing activities	<u>(3,417,487)</u>	<u>807,809</u>
Net increase/(decrease) in cash and cash equivalents	3,751,936	(3,066,739)
Cash and cash equivalents at beginning of the year	<u>2,513,989</u>	<u>5,580,728</u>
Cash and cash equivalents at end of the year	<u>\$ 6,265,925</u>	<u>2,513,989</u>

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

THE JAMAICA RACING COMMISSION

Notes to the Financial Statements
March 31, 2006

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, 2006 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
Dr. St. Aubyn Bartlett – Senior Veterinarian
Mr. Lawrence Brown – System Administrator

The Commission has 34 (2004: 34) employees as at March 31, 2006.

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, adopted 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.

Notes to the Financial Statements (Continued)
March 31, 2006

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 fixed deposits, with maturity dates within three months of placement.

(d) Trade and other receivables:

Trade and other receivables are stated at 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, previously recognised in the statement of income and expenditure.

(h) Property, plant and equipment and depreciation:

(i) Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses.

(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%

THE JAMAICA RACING COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2006

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

(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.

(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.

THE JAMAICA RACING COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2006

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

(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.

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.

THE JAMAICA RACING COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2006

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

(i) Employee benefit asset and obligation (cont'd):

(ii) Defined-benefit pension scheme:

The Commission operates a defined-benefit pension scheme (see note 13) 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, 2006

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, 2006

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, 2004	51,000	2,828,340	4,326,983	32,704,779	39,911,102
Additions	<u>-</u>	<u>162,400</u>	<u>436,320</u>	<u>5,397,313</u>	<u>5,996,033</u>
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
Disposal	<u>-</u>	<u>-</u>	<u>(113,770)</u>	<u>(59,710)</u>	<u>(173,480)</u>
March 31, 2006	<u>51,000</u>	<u>3,623,638</u>	<u>5,381,102</u>	<u>40,438,640</u>	<u>49,494,380</u>
Depreciation:					
March 31, 2004	-	922,461	2,389,967	11,822,168	15,134,596
Charge for the year	<u>-</u>	<u>70,709</u>	<u>845,653</u>	<u>3,392,726</u>	<u>4,309,088</u>
March 31, 2005	-	993,170	3,235,620	15,214,894	19,443,684
Charge for the year	-	84,719	586,869	3,982,700	4,654,288
Eliminated on disposal	<u>-</u>	<u>-</u>	<u>(17,066)</u>	<u>-</u>	<u>(17,066)</u>
March 31, 2006	<u>-</u>	<u>1,077,889</u>	<u>3,805,423</u>	<u>19,197,594</u>	<u>24,080,906</u>
Net book values:					
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 (2005: \$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, 2006

4. Long-term receivables

	<u>2006</u>	<u>2005</u>
Loans to employees, re-measured for concessionary interest rate	3,150,308	3,817,772
Contributions to The National Housing Trust, recoverable in the years 2001/4	<u>-</u>	<u>16,645</u>
	3,150,308	3,834,417
Less: Current portion	(1,538,789)	(594,884)
Less: Re-measurement for concessionary interest rate	<u>(471,062)</u>	<u>(931,638)</u>
	<u>\$1,140,457</u>	<u>2,307,895</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>2006</u>	<u>2005</u>
Deferred tax asset is attributable to the following:		
Employee benefit asset	305,900	29,704
Property, plant and equipment	(217,491)	(311,964)
Trade and other payables	<u>424,731</u>	<u>435,674</u>
	<u>\$513,140</u>	<u>153,414</u>

Movement in temporary differences during the year:

	<u>Balance at March 31, 2005</u>	<u>Recognised in income [note 15 (a) (ii)]</u>	<u>Balance at March 31, 2006</u>
Property, plant and equipment	(311,964)	94,473	(217,491)
Other payables and accruals	435,674	(10,943)	424,731
Pension asset	<u>29,704</u>	<u>276,196</u>	<u>305,900</u>
	<u>\$ 153,414</u>	<u>359,726</u>	<u>513,140</u>

6. Cash and cash equivalents

	<u>2006</u>	<u>2005</u>
RBTT Bank of Jamaica Limited:		
Current account - Lasix	1,540,078	138,500
Current - Main	2,000,589	-
Purse account	176,436	147,633
Foreign currency account	87,157	290,239
Fixed deposit account - Jamaica Public Service Company Limited (JPSCo)	708,927	657,553
Racing Industry Insurance Scheme/NCB	1,362,699	1,122,875
Petty cash imprest and cash in hand	6833	6,833
NCB current account	370,816	137,966
NCB savings account	<u>12,390</u>	<u>12,390</u>
	<u>\$6,265,925</u>	<u>2,513,989</u>

Notes to the Financial Statements (Continued)
March 31, 2006

7. Net financing costs

	<u>2006</u>	<u>2005</u>
Interest on fixed deposits	264,612	381,526
Interest on savings – reserve fund	1,430,622	122,777
– other	<u>788,348</u>	<u>713,110</u>
Finance income	<u>2,483,582</u>	<u>1,217,413</u>
Loan interest – BG LC	<u>(2,741,558)</u>	<u>(3,622,857)</u>
Financial expense	<u>(2,741,558)</u>	<u>(3,622,857)</u>
Net financing costs	<u>\$ (257,976)</u>	<u>(2,405,444)</u>

8. Resale agreements

Purse - NCBCM	10,235,915	33,990,632
- COK Credit Union	5,288,960	-
- JN Fund	23,882,480	-
- DB&G	5,075,890	-
- JMMB	25,784,380	15,445,818
Racing Industry Health Scheme (RIHS) - JMMB	1,709,259	1,506,943
DB&G	-	3,634,738
COK Credit Union	3,017,630	-
CCMB	816,352	3,073,965
JMMB	<u>271,187</u>	<u>244,540</u>
	<u>\$76,082,053</u>	<u>57,896,636</u>

The fair value of the underlying securities for securities purchased under resale agreements is \$75,414,832 (2005:\$57,896,636).

9. Short-term investments

	<u>2006</u>	<u>2005</u>
Available-for-sale, stated at fair value:		
DB&G - Money Market Fund units	7,029,932	19,879,669
Barita Unit Trust Investments:		
Reserve fund	1,236,672	2,343,851
Escrow funds	<u>-</u>	<u>17,241</u>
	<u>8,266,603</u>	<u>22,240,761</u>
Certificates of deposit:		
Purse – CCMB	6,594,002	5,120,460
Loan participation		
Purse – CCMB	<u>5,667,469</u>	<u>5,152,726</u>
	<u>12,261,471</u>	<u>10,273,186</u>
	<u>\$20,528,074</u>	<u>32,513,947</u>

THE JAMAICA RACING COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2006

10. Trade and other receivables

	<u>2006</u>	<u>2005</u>
Government levy payment - Purse	-	10,202,564
Levy receivable allocated to - JRC	2,372,443	7,173,248
Deposit with JPSCo	25,323	25,323
Salary advances & personal loans	-	195,757
Prepaid expenses	<u>894,114</u>	<u>682,986</u>
	<u>\$3,291,880</u>	<u>18,279,878</u>

11. Reserve fund

This represents interest earned on investment which is maintained as reserve fund.

	<u>2006</u>	<u>2005</u>
At beginning of year	2,343,851	2,129,112
Transfer to P& L	(1,278,670)	-
Transfer from general fund:		
Gain on investment-interest on savings account	<u>171,490</u>	<u>214,739</u>
At end of year	<u>\$1,236,671</u>	<u>2,343,851</u>

12. Long-term loan

	<u>2006</u>	<u>2005</u>
Betting Gaming & Lotteries Commission Loan	17,068,235	20,000,000
Effect of IFRS Re-measurement – IAS 39	(4,231,186)	(6,039,325)
	12,837,049	13,960,675
Less: Current portion	(3,081,760)	(2,931,765)
	<u>\$ 9,755,289</u>	<u>11,028,910</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.

13. Employee benefit obligation

A defined-benefit pension scheme is administered by Life of Jamaica Limited, for all employees of the Commission and the Betting Gaming & Lotteries Commission [see note 2(l)(ii)], who satisfy certain minimum service requirements.

The benefits are computed by reference to final salary.

Notes to the Financial Statements (Continued)
 March 31, 2006

13. Employee benefit obligation (cont'd)

The actuarial report states that "the assets were allocated between the two companies, BG&LC and the Commission on the basis of the 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 schedules are purely notional".

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

Employee benefit obligation:

	<u>2006</u> \$'000	<u>2005</u> \$'000
Present value of obligations	90,383	73,874
Fair value of plan asset	<u>(85,553)</u>	<u>(73,405)</u>
Net obligation	4,830	469
Unrecognised actuarial losses	(20,437)	(11,010)
Unrecognised asset due to limit in economic benefit	<u>20,437</u>	<u>11,010</u>
	<u>4,830</u>	<u>469</u>

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

	<u>2006</u> \$'000	<u>2005</u> \$'000
Balance at beginning of year	469	(5,310)
Contributions paid, net units	(7,640)	(4,995)
Income recognised in the income and expenditure account	<u>12,001</u>	<u>10,774</u>
Balance at end of year	<u>4,830</u>	<u>469</u>

(ii) Expense recognised in the statement of income and expenditure:

	<u>2006</u> \$'000	<u>2005</u> \$'000
Current service costs	2,933	1,589
Interest cost	8,662	5,745
Expected return on plan asset	(9,234)	(6,914)
Recognised actuarial Gain	213	-
Change in unrecognised asset	<u>9,427</u>	<u>10,354</u>
	<u>12,001</u>	<u>10,774</u>
Actuarial return on plan assets	<u>12.5%</u>	<u>19.0%</u>

Notes to the Financial Statements (Continued)
March 31, 2006

13. Employee benefit obligation (cont'd)

(a) Employee benefit obligation: (cont'd)

(iii) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	<u>2006</u>	<u>2005</u>
	%	%
Discount rate	12.5	12.5
Expected return on plan assets	12.5	12.5
Future salary increases	10.0	10.0
Future pension increases	3.5	3.5
Inflation	<u>7.0</u>	<u>7.0</u>

14. Trade and other payables

	<u>2006</u>	<u>2005</u>
Government levy scheme contributions – Purse [see note 20 (b)]	94,407,531	93,553,240
Benevolent Fund account	390,963	1,361,072
Special revolving loan fund	318,699	318,699
Contractual payments – University of the West Indies	544,055	1,752,566
Statutory deductions	-	1,537,198
Accrued vacation	6,706,282	6,879,061
Other	<u>2,595,981</u>	<u>4,927,634</u>
	<u>\$104,963,511</u>	<u>110,329,470</u>

15. Budgetary Subvention from the Government

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

16. Registration fees and permits

	<u>2006</u>	<u>2005</u>
Registration of claims	756,500	710,000
Registration and transfers	2,584,279	2,418,783
Occupational permits	436,000	460,700
Owners permits	<u>1,879,400</u>	<u>447,700</u>
	<u>\$5,656,179</u>	<u>4,037,183</u>

THE JAMAICA RACING COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2006

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 (2005: pro-rated surplus) before taxation, as adjusted for tax purposes, and is made up as follows:

	<u>2006</u>	<u>2005</u>
(i) Current tax charge:		
Income tax at 33 $\frac{1}{3}$ %	556,220	926,050
(ii) Deferred tax charge:		
Origination of temporary differences (note 5)	(359,726)	(612,575)
Tax charge recognised in the statement of income and expenditure	<u>\$ 196,494</u>	<u>313,475</u>

- (b) The effective tax rate is 14.98% (2005: 2.59%) of pre-tax surplus of \$1,311,404 (2005: \$12,092,506), compared to a statutory rate of 33 $\frac{1}{3}$ %. The actual tax charge differed from the expected tax charge for the year as follows:

	%	<u>2006</u>	%	<u>2005</u>
Surplus before taxation		<u>\$1,311,404</u>		<u>12,092,506</u>
Computed "expected" tax charge at 33%	33.33	437,135	33.33	4,030,835
Difference between profit for financial statement and tax reporting purposes on:				
Depreciation and capital allowances	25.01	327,928	(11.09)	(1,341,128)
Disallowed expenses	1.03	13,526	1.22	147,554
Employee benefit obligation	89.79	1,177,470	1.05	126,630
Trade and other payables	(3.56)	(46,650)	16.83	2,035,429
Income exempt from income tax	(130.62)	(1,712,915)	(38.75)	(4,685,845)
Actual tax charge	<u>14.98</u>	<u>\$ 196,494</u>	<u>2.59</u>	<u>313,475</u>

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>2006</u>	<u>2005</u>
Within one year	5,000	5,000
Subsequent years	<u>160,000</u>	<u>155,000</u>
	<u>\$165,000</u>	<u>160,000</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.

THE JAMAICA RACING COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2006

19. Financial instruments

A financial instrument is any contract that gives rise to both 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 8.

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.

(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.

THE JAMAICA RACING COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2006

19. Financial instruments (cont'd)

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

(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 and bank overdraft 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 bank overdraft, 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\$1,331 (2005: US\$63,306).

(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 \$20,528,074 (2005: \$32,513,947) (note 9).

(v) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the Commission will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies ensuring that reliable budgets are submitted to the Government of Jamaica to facilitate timely receipt of subventions.

(vi) Cash flow risk:

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The Commission manages this risk by ensuring, as far as possible, that cash flows from monetary financial instruments are matched to avoid any adverse cash flows.

THE JAMAICA RACING COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2006

20. Related party balances and transactions

(a) Identity of related parties:

The Commission has a related party relationship with other government agencies, as well as with its Commissioners, senior officers and executives. The Commissioners and certain senior officers and executives are collectively referred to as "key management personnel".

(b) In addition to those stated separately thereon, the balance sheet includes balances, arising in the ordinary course of business, from transactions with related parties, as follows:

	<u>2006</u>	<u>2005</u>
	\$	\$
Key management personnel:		
Long-term receivables	673,350	620,042
Pension obligation	3,960,000	-
Other government agencies:		
Investments	88,916,058	79,025,333
Trade and other payables	94,407,531	93,553,240
Long-term term	<u>12,837,049</u>	<u>13,960,675</u>

(c) The statement of income and expenditure includes income earned from, and expenses incurred in, transactions with related parties, as follows:

	<u>2006</u>	<u>2005</u>
	\$	\$
Administration and general expenses:		
Key management personnel - travel allowances	712,728	737,487
- fees	1,110,539	1,367,104
- pension obligation	3,960,000	-
- compensation	<u>12,095,654</u>	<u>11,938,237</u>

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.

THE JAMAICA RACING COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2006

21. Accounting estimates and judgements (cont'd)

(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 possible, 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

(a) Alternatively, in its Defence, the Commission contends that the words complained of constituted fair comment on a matter of public interest and further that they were published on an occasion of qualified privilege.

At a Case Management Conference held on 30th June, 2005, an Order was made setting aside a Default Judgement that had been entered against Dr. Bartlett and refusing an application made by the Claimant for those sections of the Commission's Defence relating to fair comment and qualified privilege to be struck out.

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.

In the event that this matter goes to trial the Commission should be able to successfully defend the same. There are no attorney's fees outstanding in respect of this matter.

(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. An Order for Seizure and Sale of Goods in the aforesaid amount was obtained from the Court and was forwarded to the bailiff's for execution on March 14, 2005. Mr. Porter subsequently made a payment of \$100,000.00 on March 31, 2005 towards the settlement of the outstanding costs and proposed to settle the balance by making a further payment of \$100,000.00 within six months with the remainder within another six months thereafter. By letters dated April 1, 2005 we asked the Bailiff to suspend execution of the Order for Seizure and Sale and requested our client's instructions as to whether the payment plan proposed by Mr. Porter was acceptable. We are still awaiting the requested instructions and have received no further payment from Mr. Porter. The balance of costs owed to the Commission now stands at \$310,873.42 (being \$280,042.25 plus interest at 12% p.a. from 25th July, 2002 to 16th June, 2006 less \$100,000.00). We are to follow up with the client as to whether we should pursue execution. The Order for Seizure and Sale has now expired and a new one would have to be obtained. The estimated attorneys fees and costs to be incurred by the Commission in pursuing settlement would be approximately \$150,000.00.

THE JAMAICA RACING COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2006

23. New and revised standards and interpretations effective in during the year

During the year, the Commission adopted the following new and revised IFRS:

IAS 1 (revised 2003)	Presentation of Financial Statements
IAS 8 (revised 2003)	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (revised 2003)	Events after the Balance Sheet Date
IAS 16 (revised 2003)	Property, Plant and Equipment
IAS 17 (revised 2003)	Leases
IAS 24 (revised 2003)	Related Party Disclosures
IAS 32 (revised 2003)	Financial Instruments: Presentation
IAS 36 (revised 2003)	Impairment of Assets
IAS 38 (revised 2003)	Intangible Assets
IAS 39 (revised 2003 and 2004)	Financial Instruments: Recognition and Measurement
IFRS 2 (new)	Share-based Payment
IFRS 4 (new)	Insurance Contracts
IFRS 5 (new)	Non-Current Assets Held for Sale and Discontinued Operations

Of the above-listed standards, only IAS 1, IAS 8, IAS 24 and IAS 39 affected the financial statements, as follows:

- (i) IAS 1 resulted in additional disclosures and in changes to the format of the income statement;
- (ii) IAS 8 resulted in disclosure of new and revised standards and interpretations effective during the year, and disclosure of those issued but not yet effective;
- (iii) IAS 24 resulted in additional related party disclosures (see note 20); and

THE JAMAICA RACING COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2006

23. New and revised IFRS and interpretations not yet effective

At the date of authorisation of the financial statements for issue, there were certain revised standards and interpretations which were in issue but were not yet effective. Those standards and their effective dates, for accounting periods beginning on or after those dates, are as follows:

IFRS 6	Exploration for Evaluating of Mineral Resources	January 1, 2006
IFRS 7	Financial Instruments: Disclosure	January 1, 2007
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
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste, Electrical and Electronic Equipment	December 1, 2006
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyper-Inflationary Economies	March 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
IFRIC 8	Scope of IFRS 2	May 1, 2006
IFRIC 9	Reassessment of Embedded Derivatives	June 1, 2006
IFRIC 10	Interim Financial Reporting and Impairment	November 1, 2006
IFRIC 11	Group and Treasury Share Transactions	March 1, 2007
IFRIC 12	Service Concession Arrangement	January 1, 2008
IFRS 8	Operating Segments	January 1, 2009

The adoption of IAS 19 Amendment and IFRS 7 are expected to result in additional disclosures for financial instruments. Except for these additional disclosures, the adoption of these standards and interpretations are not expected to have a material impact on the financial statements.