

Betting Levy Board



ADMINISTRATIVE REPORT

JULY 01, 2015 - JUNE 30, 2016

THE BETTING LEVY BOARD

Mr. Kama Maharaj	Chairman	
Dr. Jagdis Suratsingh	Government	
Mr. Gerard Mathura	Government	
Ms Madhavi Teeluckchan	Government	
Mr. Charles James	Stud Farm Association	
Mr. Hugh Henderson	Trinidad Race Club now Arima Race Club	
Mr. Kenneth Kong	Trinidad Race Club now Arima Race Club	
Mr. Christopher Armond	Trinidad Race Club now Arima Race Club	- (Resigned 4 th July, 2015)
Mr. Baskaran Bassawh	Racehorse Owners Association	
Mr. Winston Govia	Tobago Race Club	

EXECUTIVE OFFICERS

Mr. Richard Jackson	Chief Executive Officer
Mr. Norris Galbaran	Accountant

BANKERS

First Citizens Bank Limited	Hollis Avenue & Woodford Street, Arima
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LEGAL ADVISORS

Fitzwilliam, Stone, Furness-Smith & Morgan	48-50 Sackville Street, Port of Spain
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AUDITORS

PKF Chartered Accountants & Business Advisors	90 Edward Street, Port of Spain
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OFFICE

Head Office/Compliance Unit/Printery:
Santa Rosa Racing Facility
Racecourse Road
Off Churchill Roosevelt Highway
O'Meara, Arima.

Senator The Honourable Paula Gopee-Scoon
Minister of Trade and Industry
Ministry of Trade and Industry
Level 17, Nicholas Towers
Independence Square
PORT OF SPAIN.

Dear Minister

Pursuant to Section 11 (2) of the Betting Levy Board Act No. 35 of 1989, the Board has the pleasure to present herewith, this Administrative Report of its activities and audited financial statements for the period July 1, 2015 to June 30, 2016.

1. Proclamation of Act No. 35 of 1989:

The Betting Levy Board Act No. 35 of 1989 came into force on November 15, 1989, upon proclamation by the President of Republic of Trinidad and Tobago. It has since been amended by Act 31 of 1991, and the Finance Act No. 5 of 1995.

2. Functions and General Powers of the Betting Levy Board:

The Betting Levy Board (BLB) has responsibility for the development and improvement of every aspect of horse and dog racing, including the breeding of racehorses and dogs and the provision of benefits for jockeys and stable lads, and monitoring compliance with any rules relating to the operation of pool betting offices and pool betting outlets, including their opening and closing hours; and shall put all administrative, technical and other systems, in place to ensure compliance with the provisions of any written law relating to the payment of any tax or levy.

3. Collection of Taxes, Duties, Fees, etc.:

The BLB shall collect any taxes, duties, fees or other payments referred to under the Act and any such sums payable to it under the Gambling and Betting Act.

4. Application of Funds:

The BLB shall, by means of monthly remittances pay one half of the monies collected under Section 9 of the Act to the Consolidated Fund.

The remaining half of the monies collected under subsection 9 (1) shall be applied:

- a) To meet its own expenses incurred in the performance of its function, and
- b) To meet the administrative expenses of the Trinidad and Tobago Racing Authority (TTRA) established under the Trinidad & Tobago Racing Authority Act 45 of 1976 on the basis of a budget prepared by that Authority, in consultation with the Board, and where there is a dispute regarding the said budget, an appeal may be made to the Minister.

5. Review of Period July 1, 2015 to June 30, 2016:

The Betting Levy Board (BLB) held ten (10) regularly scheduled monthly meetings during the period under review.

In July 2015 the Board based on a recommendation from its Finance Committee approved its budget for the BLB for the financial year July 2015 to June 2016. The Board noted that due to decreasing tax collections by the BLB, several reductions in expenditure were required when compared with the prior year including cuts to the Arima Race Club (ARC) for the subvention towards the payment of stakes on a race day and the administrative monthly subvention. The Board took a decision to shift its focus by directing funding primarily towards infrastructural development rather than through grants to meet recurrent expenditure.

The Board noted the withdrawal of the Gambling Control Bill in the Parliament and in August sought and received approval from the Cabinet of the GORTT for a \$10 million grant to assist the BLB in funding the industry.

The BLB met and agreed with the ARC for the preparation of a comprehensive business plan for the racing industry with specific focus on the development of additional income streams and for utilization of \$5.3 million of the funding from Government to clear the indebtedness of the ARC with a part of the remaining funds to be set aside to assist in developing the facilities at Santa Rosa Park in order to accommodate casino type activities at the track.

In January 2016, the Board noted and approved a further revised budget for the balance of the 2015/2016 financial year primarily due to continued reductions in revenue and the temporary closure of one (1) licensed betting shop. An additional reduction in the subvention payable to the ARC for stakes and an amendment to the calculation by reduction of percentages payable, negatively affected Breeders and Sires premium incentives.

During the period the BLB met with the Public Services Association regarding proposals for employees of the BLB for the period 1st January, 2011 to 31st December, 2013 and awaits the approval of the CPO and line Ministry for settlement to be effected. The BLB continued to provide the Strategic Development Unit of the Ministry of Finance with the services of consultant Kenwyn Ogeer at no cost to the Ministry for the purpose of assisting that unit in developing the framework for the legislation and regulations governing the Gambling Control Bill which is to encompass betting and gaming.

The BLB renewed its contractual agreement with Satellite Information Services in the U.K. to electronically receive the runners in English races on a daily basis and reproduce same in a printed racecard format at a fee, for all local betting shops. The BLB also negotiated with the ARC to print the Santa Rosa Park race program in a book format for local punters.

In keeping with its development plan, the BLB continued to provide subsidies and incentives to the various sectors of the industry as follows:

- Funding the revenue shortfall of the TTRA to meet its administrative expenses, as stipulated by the BLB Act, in the sum of \$3.0 million.
- A raceday subvention to the promoter of local racing, the Arima Race Club (ARC) to meet advertised stakes payable to winning owners and commissions to winning trainers, jockeys and grooms in the sum of \$14.7 million.
- An incentive payable as Breeders and Sires Premiums to the owners of the mare and sire of horses foaled in Trinidad and Tobago which place 1st, 2nd and 3rd in all races run during the year in the sum of \$2.1 million.
- Funding of a non-contributory Pension Fund and Medical Plan for licensed jockeys and the former plan for grooms, as stipulated by the BLB Act, in the sum of \$0.5 million.
- An incentive payable to the owners of mares certified in foal in the sum of \$0.3 million.
- An incentive payable to the owners of foals born in Trinidad and Tobago which have been registered with the TTRA to race in the sum of \$0.5 million.
- A transport subsidy to the owners of imported horses to encourage the purchase of quality bloodstock at a cost of \$0.6 million.

- An administrative subvention to the ARC to assist in defraying operational expenditure in the sum of \$8.7 million.

The BLB in reviewing its year end 2016 financial statements noted the amount payable to the Consolidated Fund of \$65.7 million and the Accumulated Deficit of \$65.2 million and has initiated discussions with the line Ministry towards the preparation of the required documentation for Cabinet approval to effect the accounting entries to have these amounts removed from the books of the Board.

6. Staff of the BLB:

There were sixteen (16) permanent employees of the Betting Levy Board during the period under review. These employees are based at:

➤ Head Office	-	9
➤ Printery	-	6
➤ Compliance Unit	-	1

7. Printery Operations:

The Board continues to operate its printing division with services provided to the various racing industry organizations including the Arima Race Club, Trinidad and Tobago Racing Authority, Racehorse Owners Association and Stud Farm Association. The printing of the daily English Racing Programme and weekly local race programme for the ARC continue to be the prime responsibility of the Printery Department, although a number of private sector jobs were also contracted.

Vision:

In a quest to achieve its mandate to develop and improve every aspect of local horseracing the BLB has set several specific goals and target dates in an effort to maintain growth and confidence in the industry.

- Creating synergies with the Gambling Commission when established to ensure compliance with the law by all licensed betting shops.

- Certification of the computer systems in place at all licensed betting shops.
- Establishment of a Training Academy at Santa Rosa Park to facilitate educational, recreational and training programs for industry personnel.
- Facilitation of increased activity by breeders in order to improve the quality and increase the stock of locally bred horses.
- Increasing the incentives and subsidies on offer to stakeholders in the industry and enhancement of the pension and medical plan for horsemen.
- Implementation of the business plan for establishment of modern, state of the art facilities at Santa Rosa Park to accommodate alternative gaming and ancillary entertainment activities, thereby creating new revenue streams for the industry.

Auditor's Report:

The Audited Financial Statements at year end 30 June 2016 as prepared by PKF Chartered Accountants and Business Advisors is attached as an Appendix to this Administrative Report.

A review of the Audited Financial Statements at 30th June, 2016 revealed actual tax collections from betting shops to be \$14.8 million and from the ARC \$12.0 million.

The loss during the period of \$8.5 million and the accumulated deficit of \$65.2 million is directly associated with the non-receipt of the moratorium from the GORTT on the payment of 50% of taxes collected and due to the Consolidated Fund for calendar years 2012 to 2016.

Conclusion:

The Chairman and Members of the Board wish to record their appreciation to the Minister and Ministry of Trade and Industry, Ministry of Finance, Ministry of Agriculture, Land and Fisheries, the Trinidad and Tobago Racing Authority, the Arima Race Club, Tobago Race Club, other Government Departments and Racing Organizations as well as the Staff of the Betting Levy Board for their support during the past year.

Richard Jackson
Chief Executive Officer

BETTING LEVY BOARD
FINANCIAL STATEMENTS
30 JUNE 2016

BETTING LEVY BOARD

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STATEMENT OF MANAGEMENT RESPONSIBILITIES

INDEPENDENT AUDITORS' REPORT

Betting Levy Board

We have audited the accompanying financial statements of Betting Levy Board, which comprise the statement of financial position as at 30 June 2016, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 whether the financial statements are free from material misstatement.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Betting Levy Board as of 30 June 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

INDEPENDENT AUDITORS' REPORT (CONT'D)

Emphasis of Matter

We draw attention to **Note 2 (e)** to the financial statements which states that as at 30 June 2016, the Board's accumulated deficit exceeded the other elements of equity by **\$65,196,771**. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Board's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Port-of-Spain
TRINIDAD
9 November 2016

BETTING LEVY BOARD
STATEMENT OF FINANCIAL POSITION

	<u>Notes</u>	<u>30 June</u>	
		<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
Current Assets:			
Cash and cash equivalents	5	\$ 586,760	\$ 218,972
Other financial assets	6	1,898,111	90,680
Trade, other receivables and prepayments (current)	7	308,901	1,270,168
GORTT – Grant receivable	8	382,684	382,684
Inventory		<u>56,515</u>	<u>17,937</u>
Total Current Assets		3,232,971	1,980,441
Non-Current Assets:			
Property, plant and equipment	9	<u>238,854</u>	<u>302,178</u>
Total Assets		<u>\$ 3,471,825</u>	<u>\$ 2,282,619</u>
<u>LIABILITIES AND EQUITY</u>			
Current Liabilities:			
Overdrawn current account	10	\$ -	\$ 130,543
Trade and other payables and accruals	11	<u>3,156,310</u>	<u>6,768,424</u>
		3,156,310	6,898,967
Non-Current Liabilities:			
GORTT – Consolidated Fund payable	12	<u>65,512,286</u>	<u>52,092,834</u>
Total Liabilities		68,668,596	58,991,801
Equity:			
Accumulated Deficit		<u>(65,196,771)</u>	<u>(56,709,182)</u>
Total Liabilities and Equity		<u>\$ 3,471,825</u>	<u>\$ 2,282,619</u>

These financial statements were approved by the Board of Directors and authorised for issue on 9 November 2016 and signed on their behalf by:

Chairman

Director

(The accompanying notes form part of these financial statements)

BETTING LEVY BOARD

STATEMENT OF COMPREHENSIVE INCOME

		30 June	
	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Income:			
Revenue	14	\$ 13,419,452	\$ 14,579,547
Direct operating expenses	15	<u>(30,369,776)</u>	<u>(25,284,958)</u>
		(16,950,324)	(10,705,411)
Printery income		1,096,565	949,304
Other Income		<u>11,753,780</u>	<u>32,017</u>
Total Income		<u>(4,099,979)</u>	<u>(9,724,090)</u>
Expenditure:			
Administrative expenses	16	3,212,544	3,908,712
Loss on disposal of fixed asset		-	1,838
Printery expenses	18	<u>1,175,066</u>	<u>1,107,664</u>
Total Expenditure		<u>4,387,610</u>	<u>5,018,214</u>
Net loss for the year		<u>\$ (8,487,589)</u>	<u>\$ (14,742,304)</u>

(The accompanying notes form part of these financial statements)

BETTING LEVY BOARD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Accumulated Deficit	Total
Balance as at 1 July 2014	\$ (41,966,878)	\$ (41,966,878)
Net loss for the year	<u>(14,742,304)</u>	<u>(14,742,304)</u>
Balance as at 30 June 2015	<u>\$ (56,709,182)</u>	<u>\$ (56,709,182)</u>
Balance as at 1 July 2015	\$ (56,709,182)	\$ (56,709,182)
Net loss for the year	<u>(8,487,589)</u>	<u>(8,487,589)</u>
Balance as at 30 June 2016	<u>\$ (65,196,771)</u>	<u>\$ (65,196,771)</u>

(The accompanying notes form part of these financial statements)

BETTING LEVY BOARD
STATEMENT OF CASH FLOWS

	30 June	
	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Net loss for the year	\$ (8,487,589)	\$ (14,742,304)
Adjustments for:		
Depreciation	118,588	121,125
Loss on disposal of fixed asset	<u>-</u>	<u>1,838</u>
Operating loss before working capital changes	(8,369,001)	(14,619,341)
Net change in trade, other receivables and prepayments	961,267	(340,907)
Net change in inventory	(38,578)	9,243
Net change in trade, other payables and accruals	(3,612,114)	(257,718)
Net change in GORTT payable	<u>13,419,452</u>	<u>14,579,547</u>
Cash provided by/(used in) Operating Activities	<u>2,361,026</u>	<u>(629,176)</u>
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment	<u>(55,264)</u>	<u>(2,955)</u>
Cash used in Investing Activities	<u>(55,264)</u>	<u>(2,955)</u>
Net cash and cash equivalents	2,305,762	(632,131)
Cash resources, beginning of year	<u>179,109</u>	<u>811,240</u>
Cash resources, end of year	<u>\$ 2,484,871</u>	<u>\$ 179,109</u>
Represented by:		
Cash and cash equivalents	\$ 586,760	\$ 218,972
Other financial assets	1,898,111	90,680
Overdrawn current account	<u>-</u>	<u>(130,543)</u>
	<u>\$ 2,484,871</u>	<u>\$ 179,109</u>

(The accompanying notes form part of these financial statements)

BETTING LEVY BOARD

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

1. **Principal Activity:**

The Betting Levy Board was established by an Act of Parliament of the Republic of Trinidad and Tobago on 6 September 1989 and is responsible for the development and improvement of every aspect of horse and dog racing, including the breeding of race horses and dogs and the provision of benefits for jockeys and stable lads. The Board is also responsible for the collection of all taxes, duties, fees or other payments as stipulated in the Gambling and Betting Act of 1963 and any such sums payable to it under the Gambling and Betting Act.

The Board's principal place of business is Santa Rosa Racing Facility, Churchill Roosevelt Highway O'Meara, Arima.

2. **Summary of Significant Accounting Policies:**

a) **Basis of accounting -**

These financial statements are prepared under the historical cost convention, expressed in Trinidad and Tobago dollars and are in accordance with International Financial Reporting Standards (IFRSs) as adopted by the Institute of Chartered Accountants of Trinidad and Tobago. No account has been taken of the effects of inflation.

b) **Use of estimates -**

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Board accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

c) **New Accounting Standards and Interpretations -**

i) The Board has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective as they either do not apply to the activities of the Board or have no material impact on its financial statements, except for IFRS 9 Financial Instruments:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Amendments regarding changes in methods of disposal (effective for accounting periods beginning on or after 1 January 2016).

IFRS 7 Financial Instruments: Disclosures - Servicing contracts and applicability to condense interim financial statements (effective for accounting periods beginning on or after 1 January 2016).

IFRS 9 Financial Instruments (effective for accounting periods beginning on or after 1 January 2018).

BETTING LEVY BOARD

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

2. Summary of Significant Accounting Policies (Cont'd):

c) New Accounting Standards and Interpretations (cont'd) -

- IFRS 10 Consolidated Financial Statements - Amendments regarding the application of consolidation exception (effective for accounting periods beginning on or after 1 January 2016).
- IFRS 11 Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation (effective for accounting periods beginning on or after 1 January 2016).
- IFRS 12 Disclosure of Interest in Other Entities - Amendments regarding the application of consolidation exception (effective for accounting periods beginning on or after 1 January 2016).
- IFRS 14 Regulatory Deferral Accounts (effective for accounting periods beginning on or after 1 January 2016).
- IFRS 15 Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2017).
- IFRS 16 Leases (effective for accounting periods beginning on or after 1 January 2019).
- IAS 1 Presentation of Financial Statements - Amendments resulting from disclosure initiative (effective for accounting periods beginning on or after 1 January 2016).
- IAS 7 Statement of Cash Flows - Amendments resulting from disclosure initiative (effective for accounting periods beginning on or after 1 January 2017).
- IAS 12 Income Taxes - Amendments resulting from recognition of deferred tax assets for unrealised losses (effective for accounting periods beginning on or after 1 January 2017).
- IAS 16 Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation (effective for accounting periods beginning on or after 1 January 2016).
- IAS 16 Property, Plant and Equipment - Amendments bringing bearer plants into the scope of IAS 16 (effective for accounting periods beginning on or after 1 January 2016).
- IFRS 19 Employee Benefits: Disclosures - Amendments regarding discount rate: regional market issue (effective for accounting periods beginning on or after 1 January 2016).

BETTING LEVY BOARD

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

2. Summary of Significant Accounting Policies (Cont'd):

c) New Accounting Standards and Interpretations (cont'd) -

- IAS 27 Separate Financial Statements - Amendments reinstalling the equity method as an accounting option for investments in subsidiaries, joint effective for accounting periods beginning on or after 1 January 2016).
- IAS 28 Investment in Associates - Amendments regarding the application of consolidation exception (effective for accounting periods beginning on or after 1 January 2016).
- IAS 34 Interim Financial Reporting - Amendments regarding disclosure of information "elsewhere in the interim financial report" (effective for accounting periods beginning on or after 1 January 2016).
- IAS 38 Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation (effective for accounting periods beginning on or after 1 January 2016).
- IAS 41 Agriculture - Amendments bringing bearer plants into the scope of IAS 16 (effective for accounting periods beginning on or after 1 January 2016).

d) Property, plant and equipment -

Property, plant and equipment are initially measured at cost to bring to its location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is provided using the straight-line method.

The following rates are considered appropriate to write-off the assets over their estimated useful lives are applied:

Plant and machinery	5% - 20%
Motor vehicles	- 25%
Computer equipment	- 20%
Office furniture and fittings	- 10%

At each reporting date, the entity assesses impairment of property, plant and equipment and transfers any impairments to profit or loss together with any compensation receivable.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Income and Accumulated Deficit.

BETTING LEVY BOARD**NOTES TO THE FINANCIAL STATEMENTS****30 JUNE 2016****2. Summary of Significant Accounting Policies (Cont'd):****e) Going concern -**

The Board has generated net losses of **\$8,487,589** for the year ended 30 June 2016. This net loss has increased the Board's accumulated deficit to **\$(65,196,771)**. Notwithstanding this fact, the financial statements have been prepared on the going concern basis. This basis has been deemed appropriate in view of the Board's ability to continue its operation using internally generated cash flow and funding from the Government of the Republic of Trinidad and Tobago.

f) Revenue recognition -

The Board derives its income primarily from the collection of racing licenses, taxes and permits in accordance with the Gambling and Betting Act of 1963. Income is accounted for on the accruals basis.

g) Financial instruments -

Financial assets and financial liabilities are recognised on the Board's Statement of Financial Position when the company becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less and are carried at cost, which approximates market value.

Trade, other receivables and prepayments

Trade, other receivables and prepayments are measured at initial recognition at transaction cost and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of Income and Accumulated Deficit when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out (FIFO) method.

BETTING LEVY BOARD**NOTES TO THE FINANCIAL STATEMENTS****30 JUNE 2016****2. Summary of Significant Accounting Policies (Cont'd):****g) Financial instruments (cont'd)**Trade, other payables and accruals

Trade, other payables and accruals are initially measured at transaction cost and are subsequently measured at amortised cost, using the effective interest rate method.

Leasing commitments

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals paid under operating leases are charged to the Statement of Income and Accumulated Deficit on a straight line basis over the period of the lease.

h) Foreign currency -

Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at rates of exchange ruling at the reporting date. All revenue and expenditure transactions denominated in foreign currencies are translated at the average rate and the resulting profits and losses on exchange from these trading activities are recorded in the Statement of Income and Accumulated Deficit.

i) Provisions -

Provisions are recognised when the Board has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

j) Comparative figures -

Certain changes in presentation have been made during the year and comparative figures have been restated accordingly. These changes have no impact on the net profit reported for the previous year.

BETTING LEVY BOARD**NOTES TO THE FINANCIAL STATEMENTS****30 JUNE 2016****3. Financial Risk Management:**Financial risk factors

The Board is exposed to interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk and reputation risk arising from the financial instruments that it holds. The risk management policies employed by the Board to manage these risks are discussed below:

a) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Board is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities, including customer deposits and other funding instruments.

b) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Board relies heavily on a written Accounting Policies and Procedures Manual, which sets out in detail the current policies governing the granting of credit and provides a comprehensive framework for prudent risk management of the credit function. Adherence to these guidelines is expected to communicate the Board's granting of credit philosophy, provide policy guidelines to team members involved in the granting of credit, establish minimum standards for credit analysis, documentation, decision-making and post-disbursement administration, as well as create the foundation for a sound credit portfolio.

The Board's trade receivable portfolio is managed and consistently monitored by management and provisions will be established for any potential credit losses on delinquent accounts.

Cash balances are held with high credit quality financial institutions and the Board has policies to limit the amount of exposure to any financial institution.

The Board also actively monitors global economic developments and government policies that may affect the growth rate of the local economy.

BETTING LEVY BOARD**NOTES TO THE FINANCIAL STATEMENTS****30 JUNE 2016****3. Financial Risk Management (Cont'd):**Financial risk factors (cont'd)**c) Liquidity risk**

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Board has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The Board is exposed to daily calls on its available cash resources to settle financial and other liabilities.

i) Risk management

The matching and controlled mismatching of financial assets and liabilities are fundamental to the management of the Board. The Board employs various asset/liability techniques to manage liquidity gaps. Liquidity gaps are mitigated by generating sufficient cash from customers' deposits.

To manage and reduce liquidity risk the Board's management actively meets to match cash inflows with liability requirements.

ii) Liquidity gap

The Board's exposure to liquidity risk is summarised in the table below which analyses assets and liabilities based on the remaining period at the reporting date to the contractual maturity date.

d) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Board's measurement currency. The Board is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar. The Board's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

e) Operational risk

Operational risk is the risk that derives from the deficiencies relating to the Board's information technology and control systems as well as the risk of human error and natural disasters. The Board's systems are evaluated, maintained and upgraded continuously.

BETTING LEVY BOARD**NOTES TO THE FINANCIAL STATEMENTS****30 JUNE 2016****3. Financial Risk Management (Cont'd):****f) Compliance risk**

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Ministry of Trade and Industry, as well as by the monitoring controls applied by the Board.

g) Reputation risk

The risk of loss of reputation arising from the negative publicity relating to the Board's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Board. The Board applies procedures to minimize this risk.

Fair value estimation

The fair values of the Board's financial assets and liabilities approximates to their carrying amounts at the reporting date.

4. Critical Accounting Estimates and Judgments:

The preparation of financial statements in accordance with IFRSs requires management to make judgements, estimates and assumptions in the process of applying the Board's accounting policies. See **Note 2 (b)**.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Board makes estimates and assumptions concerning the future. However, actual results could differ from those estimates as the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Changes in accounting estimates are recognised in the Statement of Income and Retained Earnings in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

The critical judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

- i) Whether leases are classified as operating leases or finance leases.
- ii) Which depreciation method for property, plant and equipment is used.

BETTING LEVY BOARD

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

4. Critical Accounting Estimates and Judgments:

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

i) Impairment of assets

Management assesses at each reporting date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

ii) Property, Plant and Equipment

Management exercises judgement in determining whether future economic benefits can be derived from expenditures to be capitalised and in estimating the useful lives and residual values of these assets.

5. Cash and Cash Equivalents:

	30 June	
	<u>2016</u>	<u>2015</u>
Cash in hand	\$ 3,000	\$ 3,000
First Citizens Bank Limited - Current account	454,395	210,088
- US\$ Account	129,365	5,884
	\$ 586,760	\$ 218,972

6. Other Financial Assets:

This short term investment is held at the Trinidad and Tobago Unit Trust Corporation.

7. Trade, Other Receivables and Prepayments:

	30 June	
	<u>2016</u>	<u>2015</u>
Accounts receivable	\$ -	\$ 2,964
Amounts due from betting offices	158,040	591,375
Other receivable	96,599	544,236
Staff loans	54,262	131,593
	\$ 308,901	\$ 1,270,168

BETTING LEVY BOARD

NOTES TO THE FINANCIAL STATEMENTS

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8. GORTT – Grant Receivable:

	30 June	
	<u>2016</u>	<u>2015</u>
Grant receivable	<u>\$ 382,684</u>	<u>\$ 382,684</u>

The Government of the Republic of Trinidad and Tobago extended the moratorium granted to the Betting Levy Board on payments due to the Consolidated Fund in accordance with the provision of Section 12 of the Betting Levy Board Act 1989. The arrangements also provide for an exchange of cheques, whereby the Betting Levy Board would deposit monies into the Consolidated Fund and simultaneously receive from Government a cheque of an equivalent sum representing a grant for the development of the local horse racing industry. This balance represents a shortfall of payments received from The Government of the Republic of Trinidad and Tobago. The Betting Levy Board anticipates receipt of this shortfall.

9. Property, Plant and Equipment:

	<u>Plant and Machinery</u>	<u>Motor Vehicles</u>	<u>Computer Equipment</u>	<u>Office Furniture & Fittings</u>	<u>Total</u>
Cost					
Balance as at 1 July 2015	\$ 15,681,010	\$ 40,000	\$ 61,122	\$ 367,698	\$ 16,149,830
Additions	<u>42,000</u>	<u>-</u>	<u>3,895</u>	<u>9,369</u>	<u>55,264</u>
Balance as at 30 June 2016	<u>15,723,010</u>	<u>40,000</u>	<u>65,017</u>	<u>377,067</u>	<u>16,205,094</u>
Accumulated Depreciation					
Balance as at 1 July 2015	15,481,839	40,000	49,035	276,778	15,847,652
Charge for the year	<u>90,168</u>	<u>-</u>	<u>6,091</u>	<u>22,329</u>	<u>118,588</u>
Balance as at 30 June 2016	<u>15,572,007</u>	<u>40,000</u>	<u>55,126</u>	<u>299,107</u>	<u>15,966,240</u>
Net Book Value					
Balance as at 30 June 2016	<u>\$ 151,003</u>	<u>\$ -</u>	<u>\$ 9,891</u>	<u>\$ 77,960</u>	<u>\$ 238,854</u>
Balance as at 30 June 2015	<u>\$ 199,171</u>	<u>\$ -</u>	<u>\$ 12,087</u>	<u>\$ 90,920</u>	<u>\$ 302,178</u>

BETTING LEVY BOARD

NOTES TO THE FINANCIAL STATEMENTS

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9. Property, Plant and Equipment (Cont'd):

	<u>Plant and Machinery</u>	<u>Motor Vehicles</u>	<u>Computer Equipment</u>	<u>Office Furniture & Fittings</u>	<u>Total</u>
Cost					
Balance as at 1 July 2014	\$ 15,725,863	\$ 40,000	\$ 108,672	\$ 546,775	\$ 16,421,310
Additions	-	-	-	2,955	2,955
Disposals	<u>(44,853)</u>	<u>-</u>	<u>(47,550)</u>	<u>(182,032)</u>	<u>(274,435)</u>
Balance as at 30 June 2015	<u>15,681,010</u>	<u>40,000</u>	<u>61,122</u>	<u>367,698</u>	<u>16,149,830</u>
Accumulated Depreciation					
Balance as at 1 July 2014	15,434,708	40,000	88,819	435,597	15,999,124
Charge for the year	91,984	-	6,382	22,759	121,125
Disposals	<u>(44,853)</u>	<u>-</u>	<u>(46,166)</u>	<u>(181,578)</u>	<u>(272,597)</u>
Balance as at 30 June 2015	<u>15,481,839</u>	<u>40,000</u>	<u>49,035</u>	<u>276,778</u>	<u>15,847,652</u>
Net Book Value					
Balance as at 30 June 2015	<u>\$ 199,171</u>	<u>\$ -</u>	<u>\$ 12,087</u>	<u>\$ 90,920</u>	<u>\$ 302,178</u>
Balance as at 30 June 2014	<u>\$ 291,155</u>	<u>\$ -</u>	<u>\$ 19,853</u>	<u>\$ 111,178</u>	<u>\$ 422,186</u>

10. Overdrawn Current Account:

This balance is a TT\$ business chequing account held with First Citizens Bank Limited.

11. Trade, Other Payables and Accruals:

	30 June	
	<u>2016</u>	<u>2015</u>
Other creditors and accruals	\$ 1,664,980	\$ 3,526,312
Stakes payable to the Arima Race Club	-	1,290,000
Unclaimed winnings	687,434	1,309,008
Unclaimed cheques	624,965	444,314
Vacation accrual	<u>178,931</u>	<u>198,790</u>
	<u>\$ 3,156,310</u>	<u>\$ 6,768,424</u>

BETTING LEVY BOARD

NOTES TO THE FINANCIAL STATEMENTS

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12. GORTT – Consolidated Fund Payable:

	30 June	
	<u>2016</u>	<u>2015</u>
Balance brought forward	\$ 52,092,834	\$ 37,513,287
Allocated to the Consolidated Fund (50%)	<u>13,419,452</u>	<u>14,579,547</u>
Balance carried forward	<u>\$ 65,512,286</u>	<u>\$ 52,092,834</u>

The Government of the Republic of Trinidad and Tobago extended the moratorium granted to the Betting Levy Board on payments due to the Consolidated Fund in accordance with the provision of section 12 of the Betting Levy Board Act 1989. The arrangements also provide for an exchange of cheques, whereby the Betting Levy Board would deposit monies into the Consolidated Fund and simultaneously receive from Government a cheque of an equivalent sum representing a grant for the development of the local horse racing industry. This balance represents anticipated payment for five years.

13. Related Party Transactions:

Parties are considered to be related if one has the ability to control or exercise significant influence over the entity or the other party in making financial or operational decisions. A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out at commercial terms and at market rates. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2016, the Board has not made any provision for doubtful debts relating to amounts owed by related parties (2015: Nil).

	30 June	
	<u>2016</u>	<u>2015</u>
The following transactions were carried out with related parties:		
i) Transactions for the period		
- Subvention payment to the Trinidad and Tobago Racing Authority	<u>\$ 3,015,580</u>	<u>\$ 3,023,626</u>
ii) Key management compensation		
- Salaries and other short-term employee benefits	<u>\$ 728,212</u>	<u>\$ 588,440</u>

BETTING LEVY BOARD

NOTES TO THE FINANCIAL STATEMENTS

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14. Revenue:

	30 June	
	<u>2016</u>	<u>2015</u>
Race clubs	\$ 12,026,374	\$ 12,782,130
Betting offices	<u>14,812,530</u>	<u>16,376,964</u>
	26,838,904	29,159,094
Allocated to the Consolidated Fund (50%)	<u>(13,419,452)</u>	<u>(14,579,547)</u>
	<u>\$ 13,419,452</u>	<u>\$ 14,579,547</u>

15. Direct Operating Expenses:

	30 June	
	<u>2016</u>	<u>2015</u>
Assistance to Arima Race Club	\$ 8,692,503	\$ 1,682,000
Assistance to racing organisations	6,334	6,392
Breeders and sires premiums	2,094,749	2,444,394
Incentive to breeders	487,500	518,750
Jockey insurance benefit plan	492,745	447,827
P and D Mare subsidy	252,500	298,750
Promotional events	46,615	43,219
Stakes	14,670,000	16,340,000
Subsidies for imported horses	611,250	480,000
Subvention – Trinidad and Tobago Racing Authority	<u>3,015,580</u>	<u>3,023,626</u>
	<u>\$ 30,369,776</u>	<u>\$ 25,284,958</u>

BETTING LEVY BOARD

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

16. Administrative Expenses:

	30 June	
	<u>2016</u>	<u>2015</u>
Compliance unit	\$ 115,355	\$ 187,930
Depreciation	118,588	121,125
Director fees	445,678	55,269
Employee benefits (Note 17)	1,445,995	1,642,052
Legal and professional fees	609,000	645,567
Other expenses	420,330	496,325
Repairs and maintenance	57,598	491,494
Unplaced-horse bonus	-	268,950
	<u>\$ 3,212,544</u>	<u>\$ 3,908,712</u>

17. Employee Benefits:

	30 June	
	<u>2016</u>	<u>2015</u>
Allowances	\$ 162,684	\$ 172,498
Board and staff welfare	174,148	386,593
National Insurance	77,153	80,268
Pension costs – defined contribution plan	84,476	97,306
Wages and salaries	947,534	905,387
	<u>\$ 1,445,995</u>	<u>\$ 1,642,052</u>

18. Printery Expenses:

	30 June	
	<u>2016</u>	<u>2015</u>
Equipment repairs and maintenance	\$ 30,445	\$ 13,000
Other expenses	421,009	394,608
Paper	131,116	110,856
Rent	9,000	9,000
Salaries	271,961	292,494
S.I.S. Copyright fees	234,415	229,506
Supplies	77,120	58,300
	<u>\$ 1,175,066</u>	<u>\$ 1,107,664</u>