

MINISTRY PAPER #16/14

**BETTING, GAMING AND LOTTERIES COMMISSION
ANNUAL REPORT FOR YEAR ENDED MARCH 31, 2012**

1.0 INTRODUCTION

1.1 The matter for tabling in the Houses of Parliament is the Annual Report for the Betting, Gaming and Lotteries Commission (BGLC) for the financial year ended March 31, 2012.

1.2 BGLC was established in 1975 as an independent statutory body under the provisions of the Betting, Gaming and Lotteries Act to regulate and control the operations of betting and gaming, as well as the conduct of lotteries in the Island. In achieving its mandate, BGLC licenses, regulates, and monitors the gaming industry, facilitates its growth and development and protects the public from unfair, unscrupulous and illegal activities.

2.0 DISCLOSURES

2.1 Auditors' Report

2.1.1 The Auditors, PricewaterhouseCoopers (PwC), in their unqualified report, indicated that their audit of the Company's financial statement for the year 2011/12 was conducted in accordance with International Standards on Auditing. PwC noted that the financial statements were prepared in accordance with International Financial Reporting Standards and complied with the provisions of the Betting, Gaming and Lotteries Act. The auditors also indicated that proper accounting records were kept and that the financial statements prepared, give a true and fair view of the financial position of the Company as at March 31, 2012.

2.2 Compensation for Senior Executives and Directors

2.2.1 Pursuant to the Second Schedule (Part 1) of the Public Bodies Management and Accountability (Amendment) Act 2011, details of the compensation packages for senior executives are enclosed in the Annual Report. For the period under review, these emoluments totalled \$50.55 million, accounted for approximately 20.87% of total staff costs (2010/11: 23.07%) and ranged from \$4.65 million to \$10.67 million. Details of the compensation paid to directors (\$1.11 million) are also included in the Report.

3.0 OPERATIONAL HIGHLIGHTS (Sectoral)

3.1 The Commission continued to monitor operations across the betting, gaming and lotteries industry, with a view to ensure that activities were carried out effectively in these areas. The results of activities undertaken are summarized in Table 1 (overleaf). A review of the data shows an increased allocation of revenues to the public sector, as the related income of \$3,629.64 million compared positively to the \$3,371.16 million generated in the previous year.

Table 1: Summary of Betting, Gaming and Lottery Activities for the 2011/12 Financial Year

Particulars	2011/12	2010/11	Variance	
			(a-b)	
	(a)	(b)	\$	%
BETTING (\$M):				
Sales:				
Racing Promoter	4,319.38	4,287.93	31.45	0.7
Bookmakers	3,442.46	2,958.25	484.21	16.4
TOTAL	7,761.84	7,246.18	515.66	7.1
Government Levy/Revenue Payable	225.18	230.40	(5.22)	-2.3
LOTTERIES (\$M)				
Sales	26,159.51	22,200.06	3,959.45	17.8
Payout	18,481.98	14,962.00	3,519.98	23.5
Public Sector Revenue *	3,051.54	2,851.49	200.05	7.0
GAMING (\$M):				
Public Sector Revenue (\$m)*	352.02	289.40	62.62	21.6
Prize Competitions	1.65	-		
Total Public Sector Revenue	3,630.39	3,371.29	259.10	7.7
BGLC's portion of Public Sector Revenue	395.28	357.75	37.53	10.5
BGLC's surplus (after tax)	119.79	65.35	54.44	83.3
GAMING :				
Gaming Machines:				
# of Applications received	9,329	6,541	2,788	42.6
# of Gaming Machines Seized	434	342	92	26.9
Prize promotions				
# of Applications Received	279	257	22	8.6
# of Applications Approved	247	247	-	0.0

* Includes fees and good cause contributions to the Culture, Health, Arts, Sports and Education (CHASE) Fund

3.2 Lotteries Sector

3.2.1 Activities in the lotteries sector remained buoyant with record sales of \$26,159.51 million, an increase of \$3,959.44 million above the previous year's sale of \$22,200.06 million. Although most games showed reduction in sales, these were overly compensated by increases from Cash Pot (by \$2,776.60 million) and Pick 2 (by \$464.68 million). In addition, Supreme Ventures Limited launched a new lottery game ("Pick 4") on January 16, 2012, which generated sales of \$1,008.99 million. Of note, sales from Cashpot continued to dominate the market, accounting for approximately 75% of total lottery revenue followed by Pick 3 (11%). The increased income generated overall, contributed to an enhancement by \$200.05 million to \$3,051.54 million in total allocations to the public sector, compared to \$2,851.49 million the previous year.

3.3 Gaming Sector

3.3.1 BGLC is involved in regulating gaming machines, as well as premises on which the related activities are conducted. A total of 9,329 gaming machines were licensed during the period, an increase of 2,788 above the 6,541 in the previous year since amendments to the BGLC Act in June 2010 facilitated the entrance of new applicants.

3.3.2 Applications processed, resulted in public sector revenues of \$47.77 million, up from \$37.96 million generated from application and licensing fees in the prior year. Additional revenues from the sector related to Gross Profit Tax and contributions which totalled \$304.25 million. Of this amount, \$77.01 million and \$30.19 million represented fees/contributions to BGLC and CHASE Fund respectively, while the remaining \$197.05 million was allocated to the Consolidated Fund.

3.4 Prize Competitions

3.4.1 A total of 279 applications for prize competition promotions were received compared to 257 in the previous financial year. Of the 279 applications received, 89% were approved and the remaining 11% were rejected. It should be noted that BGLC began earning revenues on applications in February 2012, when a fee structure was finalised. A total of \$1.65 million was earned during the period.

3.5 The Betting Sector

3.5.1 During 2011/12, the betting sector comprised Caymanas Track Limited (CTL)-the promoter of local horseracing, and its network of sixty three (63) Off-Track Betting Parlours (OTBs), as well as ten (10) bookmakers and their network of two hundred and seventy-two (272) betting offices located island wide.

3.5.2 The sector recorded growth of 7.1% in total sales from \$7,246.18 million in 2010/11 to \$7,761.84 million. It is notable that while the increase in sales by the Promoter was only marginal 0.73%, earnings by the bookmakers grew by 16.37%, (horseracing and other sports).

3.6 Activities of the Enforcement Division (BGLC)

3.6.1 Some of the Commission's major objectives were achieved through its Enforcement Division. Over the review period, the Division undertook the tasks to identify and seize illegal gaming machines, regularize gaming operations island-wide and conduct due diligence on potential licensees.

3.6.2 The Division's activities resulted in the arrest of 26 persons and 57 court appearances. There were 26 convictions and the number of gaming machines seized amounted to 343 of which 334 were licensed subsequently and returned to the operators. A total of 105 operations were conducted during the review period (56:2010/11), due to increased availability of police personnel.

3.7 Other

3.7.1 The Commission continued to contribute to the drafting of regulations to give full effect to the 2010 amendments of the BGLC Act. Specifically, BGLC continued to focus on regulations to establish a prescribed fee structure for licenses and permits.

4.0 FINANCIAL HIGHLIGHTS

4.1 Income and Expenditure

4.1.1 Given the increased/new income associated in particular with lottery activities (Cash Pot, Pick 3 and Pick 4), the Commission recorded an overall increase of \$73.42 million in total income to \$431.17 million, compared to \$357.75 million realised in 2010/11. However, the surplus after tax of \$119.79 million rose by only \$54.44 million on the \$65.35 million recorded in the previous year, as total expenses grew by \$20.39 million to \$344.20 million. The additional expenses were due mainly to increases of \$20

million and \$11.57 million in bad debt and finance costs respectively. With respect to interest expenses, BGLC accessed a vendor's mortgage during 2010/11 to purchase a property; the full year's interest charge was incurred in 2011/12. Meanwhile, \$20 million advanced to CTL was deemed to be impaired. Notwithstanding the increases in total expenses, staff costs fell by \$11.94 million relative to 2010/11(\$10.55 million) when retroactive salaries were paid.

4.2 Balance Sheet Highlights

4.2.1 At March 31, 2012 the Commission had net assets of \$558.66 million (2010/11:\$488.86 million), an enhancement of \$69.80 million in its solvency level. There was also an improvement of \$81.44 million in BGLC's liquidity, as the value of its net current assets grew from \$107.55 million (2010/11) to \$188.99 million (2011/12). This level of improvement resulted from increases of \$77.94 million, \$5.91 million and \$3.84 million in resale agreements, receivables, as well as taxation recoverable which were partially offset by an overall rise of \$5.78 million in current liabilities.

5.0 CONCLUSION

5.1 The Commission continued to facilitate the orderly growth and development of the gaming industry. For the period, significant strides were made through the Enforcement Division resulting in increased seizure of unlicensed gaming machines, as well as the arrest and conviction of illegal operators. In an effort to strengthen its regulatory capacity, BGLC continued to contribute to the legislative process as required. It is anticipated that the Commission will continue to be proactive in its approach to undertaking its mandate.



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