

MINISTRY PAPER #28/15

BETTING, GAMING AND LOTTERIES COMMISSION ANNUAL REPORT FOR YEAR ENDED MARCH 31, 2014

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, 2014.

1.2 BGLC was established in 1975 as an independent statutory body under the provisions of the Betting, Gaming and Lotteries Act. Over the period of review, the Commission continued its thrust to monitor and regulate the local gaming sector in order to ensure the continued growth and development of the industry. The Commission also sought to protect the public from unfair, unscrupulous and illegal activities, while increasing the government's revenue from the industry. Further, the Commission focused on the finalization of the Betting Gaming and Lotteries (Amendment) Bill, as well as the passage of subsidiary legislation to give full effect to the Betting Gaming and Lotteries (Amendment) Act 2010.

2.0 DISCLOSURES

2.1 Auditors' Report

2.1.1 The Auditors, PricewaterhouseCoopers (PwC), gave their unqualified opinion and indicated that their audit of the Commission's financial statement for the year 2013/14 was conducted in accordance with International Standards on Auditing. PwC noted that the financial statements were prepared in accordance with International Financial Reporting Standards. The auditors also indicated that the Commission's financial statements, give a true and fair view of the financial position as at March 31, 2014, and its financial performance and cash flows for the year then ended.

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 Act, details of the compensation packages for senior executives are enclosed in the Annual Report. For the review period, these emoluments totalled \$70.22 million (2012/13: \$50.83 million) and accounted for approximately 23.11% of total staff costs and ranged from \$6.79 million to \$10.29 million¹. The increased emoluments emanated from filling of senior posts consequent on the implementation of a new organization structure. The Report also includes details of compensation amounting to \$1.23 million (2012/13: \$0.90 million) paid to directors.

3.0 OPERATIONAL HIGHLIGHTS (Sectoral)

3.1 The Commission continued to monitor operations across the betting, gaming and lotteries industry, with a view to ensuring that activities were carried out effectively in these areas. The

¹ Total cost associated with the position of Executive Director

results of activities undertaken are summarized in Table 1. A review of the data shows an increased allocation of revenues to the public sector, as the related income of \$4,876 million compared positively to the \$4,117 million for 2012/13.

Table 1: Summary of Betting, Gaming and Lottery Activities for FY 2013/14

Particulars	2013/14	2012/13	Variance	
			(a-b)	
	(a)	(b)	\$	%
BETTING (\$M):				
Sales: (Horsereading and sports betting)				
Racing Promoter	4,339.93	4,162.32	177.61	4.3
Bookmakers	3,432.28	3,147.40	284.88	9.1
TOTAL	7,772.21	7,309.72	462.49	6.3
Government Levy/Revenue Payable*	256.00	235.00	21.00	8.9
LOTTERIES (\$M)				
Sales	31,990.56	25,288.86	6,701.70	26.5
Payout	22,308.05	16,872.90	5,435.15	32.2
Public Sector Revenue Payable*	4,025.00	3,485.00	540.00	15.5
GAMING (\$M):				
Public Sector Revenue: Machines*	403.00	343.00	60.00	17.5
Prize Competitions	14.00	13.00	1.00	7.7
Total Public Sector Revenue Payable	4,698.00	4,076.00	622.00	15.3
Total Public Sector Revenue Paid	4,876.00	4,117.00	759.00	18.4
BGLC's portion of Public Sector Revenue	928.00	597.00	331.00	55
BGLC's surplus (after tax)	555.63	236.02	319.61	135.4
GAMING :				
Gaming Machines:				
# of Gaming Machines Licenced	6,000	7,355	(1,355)	-18.4
# of Gaming Machines Seized	169	288	(119)	-41.3
Prize promotions				
# of Applications Received	245	305	(60)	-19.7
# of Applications Approved	245	249	(4.00)	-1.6

*2012/13 restated

3.2 Lotteries Sector

3.2.1 Sales in the lottery sector amounted to \$31,990.56 million, an increase of \$6,701.70 million (26.50%) above the previous year's sale of \$25,288.86 million. It is of note that Cash Pot (the major contributor to lottery sales) had increased sales of \$6,419.11 million over the prior period, while Dollaz and Pick 3 rose by \$120.07 million and \$152.50 million respectively. These increases were offset partially by a decline of \$113.63 million in earnings from Pick 4. It is of note that Sunday and Holiday Lottery (except Christmas Day and Good Friday) was introduced in April 2013, which contributed \$2,727 million in sales. Accordingly revenues payable to the public sector grew by \$540.00 million to \$4,025.00 million (86% of total government revenue from the Gaming Industry).

3.3 Gaming Sector

3.3.1 BGLC regulates gaming machines activities, as well as the premises on which these are conducted. A total of 6,000 gaming machines were licensed during the period, a decrease of 15% (1,355) on the amount from the previous year. Notwithstanding the decline, the related public sector revenues (application and licences fees) of \$54.00 million exceeded the \$42.00 million realised for 2012/13. The increased public sector revenues were related to increased rates and fees implemented April 1, 2013, additional days for gaming (Sunday & Public Holidays) as well as BGLC's increased allocation in the split of unclaimed lottery winnings. Notably, application fees were increased from \$3,000 to \$5,000 for the renewal period 2013/14.

3.3.2 Gross Profit Tax (GPT) due to the public sector, which was generated from gaming and non-gaming lounge activities, totalled \$403.31 million. Of this amount, \$122.73 million and \$34.90 million represented fees/contributions to BGLC and CHASE Fund respectively, while the remaining \$245.67 million was allocated to the Consolidated Fund.

3.4 Prize Competitions

3.4.1 The number of applications processed by the Commission with respect to prize competitions, decreased by 60 to 245. Nevertheless, total revenue increased by \$0.73 million to \$13.99 million (2012/13: \$13.26 million). The increased revenues were associated with the introduction of express fees to facilitate increased demand, as well as enhanced income from other fee areas (incomplete fees, late fees, extension fees, and overpayment).

3.5 The Betting Sector

3.5.1 The betting sector comprised Caymanas Track Limited (CTL), the promoter of local horseracing, and its network of sixty one (61) Off-Track Betting Parlours, eight (8) bookmakers and their network of one hundred and eighty three (183) betting offices, as well as one hundred and fifteen (115) lounges located island wide. Some betting offices were closed for a part of the financial year due to the impending merger of Champion Betting Company Limited, Markham Betting Company Limited and Track Price Plus Limited. Other bookmakers such as Ideal Betting Company Ltd were closed for the entire period due to fire. The betting sector (horseracing in particular) continued to be impacted negatively, chiefly by competition from other gaming forms. Notwithstanding, total sales increased to \$7,772.21 million (2012/13: \$7,309.72 million). Accordingly, public sector revenues grew marginally by \$6.99 million to \$232.17 million over the same period.

3.6 Activities of the Enforcement Division (BGLC)

3.6.1 The Commission's major objectives were largely achieved through its Enforcement Division. During the year, the Division focused on identifying and taking action against illegal operators of gaming machines, regularizing gaming operations island-wide and conducting due diligence on potential licensees.

3.6.2 A total of 49 enforcement operations were conducted during the review period, a decline of 32% on the 72 for the prior year. This resulted from a reduction in the number of operations specifically targeting gaming machine seizures (previously represented a major portion of

operations). Costs associated with machine seizures have proven to be costly (transportation and storage), therefore the number of seizure were strategically reduced without compromising the enforcement value. Resulting from the operations undertaken, 25 persons (2012/13: 22) were arrested, which led to 20 convictions. In addition, 169 unlicensed gaming machines were seized, of which 122 or 72% (2012/12: 63%) were subsequently licensed and returned to the operators. In an effort to reduce costs related to the seizure of machine (transport & storage), a new initiative was introduced, which entailed delinquency letters being issued to offenders. This gave them an opportunity to apply for the requisite licence to avoid confiscation of machines.

4.0 FINANCIAL HIGHLIGHTS

4.1 Income and Expenditure

4.1.2 The Commission's net surplus (after tax) increased over the prior period by \$319.61 million to \$555.63 million. This resulted mainly from an improvement in income from lotteries (\$313.89 million), gaming machines (\$28.74 million), unclaimed winnings (\$38.34 million), bookmakers (\$8.90 million), as well as interest income and foreign exchange gain (\$14.87 million). These were offset partially by an increase of \$95.61 million in staff costs, which was attributed chiefly to the addition of new staff and promotions resulting from the implementation of a new organization structure.

4.2 Balance Sheet Highlights

4.2.1 The Commission's liquidity improved as the value of its net current assets grew by \$44.86 million to \$304.03 million at March 31, 2014. This level of improvement was due mainly to increases in cash & bank (\$251.03 million) and repurchase agreements (\$42.52 million). The higher cash and bank balances were facilitated by cashflows from operations; the amount facilitated a special distribution of \$250 million to the Government in 2014/15. The growth in the aforementioned assets was offset partially by reductions in receivables (\$61.22 million), as well as increases in payables (\$201.52 million).

5.0 CONCLUSION

5.1 The Commission continued its efforts to facilitate the growth and development of the gaming industry, as well as achieving additional revenue for the Government. Work done by the Enforcement Division resulted in seizures of unlicensed gaming machines, as well as the arrest and conviction of illegal operators.



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