

MINISTRY PAPER # 129/15  
CAYMANAS TRACK LIMITED  
ANNUAL REPORT  
FOR THE YEAR ENDED MARCH 31, 2015

## 1.0 INTRODUCTION

1.1 The matter for tabling in the Honourable House of Representatives is the Annual Report of the Caymanas Track Limited (CTL) for the year ended March 31, 2015.

1.2 CTL, a limited liability Company incorporated in Jamaica, is wholly owned by the Government of Jamaica. Its mandate includes the promotion of horse racing at Caymanas Park under licence, promotion of simulcast horse racing and the running of pari-mutuel pools thereon, both on and off-track.

## 2.0 DISCLOSURES

### 2.1 Auditors' Report

2.1.1 KPMG, independent auditors of CTL, conducted examinations of the financial statements as at March 31, 2015, in accordance with the International Standards on Auditing and expressed an unqualified opinion. The auditors also informed that the financial statements comply with International Financial Reporting Standards and the Jamaican Companies Act; the financial statements also give a true and fair view of the financial position as at March 31, 2015 and of the financial performance, changes in equity and cash flows of the Company for the year. However, KPMG emphasised that the continuation of the Company as a going concern may be in doubt since CTL continues to report losses, significant net current liabilities and shareholders' net deficit.

### 2.2 Compensation for Senior Executives

2.2.1 Pursuant to the Second Schedule (Part 1) of the Public Bodies Management and Accountability Act (Amendment 2011), details of the compensation packages for the Company's twelve (12) senior management personnel are included in the Annual Report. Total remuneration amounted to \$49.51 million (2013/14: \$43.96 million) and accounted for 15.51% of total staff costs<sup>1</sup>. Individual packages ranged from \$0.51 million for the Legal Officer to \$8.97 million for the Chief Executive Officer<sup>1</sup>. The Pari-Mutuel Manager, as well as a Legal Officer and Company Doctor were added to the complement of management staff during the period. The details of executive emoluments outline additional information. Data regarding compensation for the Board of Directors (\$0.88 million) is also included.

## 3.0 OPERATIONAL REVIEW

3.1 In light of the Government of Jamaica's mandate to privatize CTL, the management has sought to improve the value of the Company by implementing strategies aimed at effecting a viable

<sup>1</sup> Statutory contributions not considered

enterprise which would attract investors. Some of the initiatives developed include an Agency Agreement with the three largest bookmakers (now operating as Post to Post Betting Company Limited), which facilitates the feed of the bookmakers' bets into CTL's tote system after the first race. Installation of relevant machines at the bookmakers' locations was still ongoing at the end of the financial year but this initiative is expected to contribute to a significant increase in revenues for CTL. Strategies were also aimed at altering the negative image of CTL and creating a more family oriented facility.

**3.1.2** CTL launched its joint venture telephone betting services in November 2014 with its partner B3 Development Group Inc. This service allows punters to create a personal account, which enables them to contact a call centre to place their wagers. It also facilitates placing of wagers through the utilization of an application which can be downloaded to a smartphone. This initiative generated additional revenue of approximately \$19.15 million for the 6-month period October 2014 to March 2015

## 3.2 Racing

**Table 1: Racing Activities**

Particulars	2014/15	2013/14	Change
# of racedays (local)	80	79	1
# of racedays (simulcast-USA)	361	317	44
# of racedays (simulcast-UK)	307	281	26
# of races (local)	770	805	-35
# of races (simulcast-USA)	12,922	13,558	-636
# of races (simulcast-UK)	5,792	5,752	40
Income from Local Racing (\$m)	2,389.40	2,424.52	-35.11
Income from Simulcast Betting (\$m)	1,968.63	1,915.40	53.23
Total Turnover (racing income) - \$m	4,358.04	4,339.92	18.12

**3.2.1** Table 1 shows that racing income which consists of earnings from local and simulcast betting, improved by a net of \$18.12 million over the period. Particularly, income from simulcast races out of the United States of America (USA) and England increased by \$53.23 million, as CTL benefitted from an increase in the number of race days from both countries, which increased by 44 and 26 respectively. The number of races from the USA fell significantly (by 636), compared to the previous year, as bad weather conditions and other factors led to cancellations. Meanwhile, reduced number of races and diminished spending power of local punters impacted revenue from local racing, the larger component (55%) of turnover, which was \$35.11 million less than that for 2013/14. It is also notable that the entity opened nine (9) Off Track Betting Parlours (OTB) and closed seven (7) to end the year with 63 (2013/14: 61).

## 3.3 Capital Expenditure

**3.3.1** Capital expenditure increased from \$15.62 million in 2013/14 to \$48.40 million. The majority of the capital expenditure outlay was used to acquire tote machines and communications equipment to facilitate connection with bookmakers which signed the Agency Agreement.

## 4.0 FINANCIAL HIGHLIGHTS

### 4.1 Income and Expenditure

**Table 2 (\$M) Income and Expenditure Statement**

Particulars	2014/15	2013/14	Variance (\$)	Variance (%)
<b>Revenue:</b>				
Local Betting	2,389.41	2,424.52	-35.11	-1.45
Simulcast Betting	1,968.64	1,915.40	53.24	2.78
Betting Turnover	4,358.04	4,339.92	18.12	0.42
Interest Income	1.72	1.69	0.03	1.78
Other Income	260.44	301.06	-40.62	-13.49
<b>TOTAL REVENUE</b>	<b>4,620.20</b>	<b>4,642.67</b>	<b>-22.47</b>	<b>-0.48</b>
<b>Expenses:</b>				
Dividends	2,922.22	2,912.96	-9.26	-0.32
Other Racing Expenses (excludes Personnel Costs)	998.41	1,010.57	12.16	1.20
Personnel Cost (racing and non-racing staff)	372.13	358.99	-13.14	-3.66
Depreciation	27.43	26.76	-0.67	-2.50
Finance Charges	0.00	0.16	0.16	100.00
Other expenses	365.17	371.36	6.19	1.67
<b>TOTAL EXPENSES</b>	<b>4,685.36</b>	<b>4,680.79</b>	<b>-4.57</b>	<b>-0.10</b>
Loss before taxation	-65.16	-38.12	-27.04	70.92
Taxation	0.00	0.00	0.00	
<b>Surplus/(Deficit)</b>	<b>-65.16</b>	<b>-38.12</b>	<b>-27.04</b>	<b>70.92</b>

4.1.1 Table 2 shows that CTL recorded an operating deficit of \$65.16 million, reflecting a decline of \$27.07 million below the deficit of \$35.12 million for 2013/14. Betting turnover increased by \$18.12 million during the period but this was countered by non-betting revenue which decreased by \$40.59 million. Consequently total revenue declined by \$22.47 million to \$4,620.20 million. The decrease in non-betting income was due mainly to a decline of \$28.83 million in Bookmakers' fees to \$98.78 million as a result of the implementation of the aforementioned conversion of Post to Post's Bookmakers to agents of CTL, which resulted in 14 of over 100 shops converting; these no longer pay rights fees but all their sales go to CTL which pays them a commission. Also as added incentive, there was a reduction in rights fees to the remaining Post to Post bookmakers from 7% to 4<sup>1</sup>/<sub>2</sub>% pending their conversion. Gate receipts fell by \$5.62 million as patrons to the Park decreased over the period.

4.1.2 There was an increase in personnel costs by \$13.14 million, due mainly to the implementation of a staff classification exercise approved by the Ministry of Finance and Planning. However, the Company was able to control costs and hence total expenses of \$4,685.36 million represented a slight increase of \$4.57 million over the prior period. Generally dividends<sup>2</sup> (payout to punters) vary with the level of betting activities and hence increased by \$9.26 million. Meanwhile, other racing expenses decreased by \$12.16 million.

<sup>2</sup> Usually approximately 67% to 68% of betting revenue (2014/15: 67%)

## 4.2 Balance Sheet and Cash Flow Highlights

4.2.1 CTL is insolvent as indicated by a net shareholders' deficit of \$554.92 million (2013/14: \$489.76 million). The Entity's total asset base increased by \$28.68 million to \$527.95 million, while liabilities which were all current, amounted to \$1,082.88 million, an increase of \$93.84 million on that at March 31, 2014. The Company's accounts payable grew by \$93.84 million mainly as a result of an increase by \$40.69 million in foreign payables to \$55.33 million. Further, accruals rose as a result of the classification of staff wages and an increase in the purse liability. Although betswinning taxes rose by \$109.63 million, the impact was partially offset since the increase was effected by a reclassification from local payables which in turn fell by \$89.16 million. The Company recorded an improved positive cash flow of \$32.41 million (2013/14: \$22.14 million).

## 5.0 CONCLUSION

5.1 CTL continues to face severe challenges which are reflected in its financial results for the year. Although cash flows from operations were positive, there is need for massive investments which will facilitate the transformation of the Track into a viable company. In recognition of the potential benefits to be derived from a successful Track major stakeholders have been advocating for improvements in the fortunes of the company. As emphasised by the auditors, the likelihood that the Company will continue as a going concern may be in doubt. Accordingly, the Government continues to actively seek the divestment of CTL's operations



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