

MINISTRY PAPER 4/17

**CAYMANAS TRACK LIMITED  
ANNUAL REPORT  
FOR THE YEAR ENDED MARCH 31, 2016**

**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, 2016.

**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, 2016, in accordance with the International Standards on Auditing and expressed an unqualified opinion. The auditors also informed that the financial statements complied with International Financial Reporting Standards and the Jamaican Companies Act. They also noted that the financial statements give a true and fair view of CTL's financial position as at March 31, 2016 and of the financial performance, changes in equity and cash flows of 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 CTL's twelve (12) senior executives are included in the Report. Remuneration amounted to \$62.08 million (2014/15: \$49.51 million) and accounted for 16.05% of total staff costs<sup>1</sup>. Individual packages ranged from \$2.23 million for the Marketing Manager to \$11.70 million for the Chief Executive Officer<sup>1</sup>. In addition to general increases awarded to staff, the employment of a Pari-Mutuel Manager, Legal Officer, and Company Doctor to the complement of managers during 2014/15 contributed to increased costs incurred for 2015/16. Information regarding compensation for the Board of Directors (\$0.96 million) is also included.

**3.0 OPERATIONAL REVIEW**

**3.1** The Government of Jamaica's efforts to divest the operations of CTL is far advanced. During this period, the management sought to keep staff informed of the divestment activities in order to facilitate a smooth transition. Meanwhile, adverse weather condition and staff unrest contributed to a reduction in the number of racedays and races. Given this fall-off, the management

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<sup>1</sup> Statutory contributions excluded

sought to control costs, particularly those related to overtime and electricity theft. Further, the management sought to implement strategies, aimed at altering the negative image of the Company, creating a more family oriented facility and reducing losses on operations.

### 3.2 Racing

Table 1: Racing Activities

Particulars	2014/15	2015/16	Change
# of racedays (local)	80	74	-6
# of racedays (simulcast-USA)	361	355	-6
# of racedays (simulcast-UK)	307	254	-53
# of races (local)	770	764	-6
# of races (simulcast-USA)	12,970	12,549	-421
# of races (simulcast-UK)	5,792	5,794	2
Total Turnover (racing income) - \$m	4,358.05	4,734.79	376.74

3.2.1 Notwithstanding the reduced racing activity, efforts were made to enhance earnings on racedays. Accordingly, betting revenue was impacted positively mainly due to Sunday Betting and higher Minimum Guaranteed Bets (payout) for some bet types. In addition, increased artiste entertainment was facilitated at the Track and the opening of six (6) and closure of three (3) Off Track Betting Parlours (CTL's off site locations) brought the total number to sixty-six (66) by March 31, 2016.

### 3.3 Capital Expenditure

3.3.1 Capital expenditure totalled \$51.16 million (2014/15; \$48.45 million). The capital expenditure outlay was used chiefly to acquire tote and communication equipment and to facilitate improvements to the roadway.

## 4.0 FINANCIAL HIGHLIGHTS

Table 2 (\$M) Income and Expenditure Statement

Particulars	2015/16	2014/15	Variance (\$)	Variance (%)
<b>Revenue:</b>				
Local Betting	2,614.44	2,389.41	225.03	9.42
Simulcast Betting	2,120.35	1,968.64	151.71	7.71
Betting Turnover	4,734.79	4,358.05	376.74	8.64
Interest Income	1.70	1.72	-0.02	-1.16
Other Income	265.82	239.01	26.81	11.22
<b>TOTAL REVENUE</b>	<b>5,002.31</b>	<b>4,598.78</b>	<b>403.53</b>	<b>8.77</b>
<b>Expenses:</b>				
Dividends	3,169.55	2,922.22	-247.33	-8.46
Other Racing Expenses (excludes Personnel Costs)	1,085.91	998.41	-87.50	-8.76
Personnel Cost (racing and non-racing staff)	423.43	372.15	-51.28	-13.78
Depreciation	27.80	27.43	-0.37	-1.35
Finance Charges	0.00	0.00	0.00	#DIV/0!
Other expenses	343.05	365.16	22.11	6.05
<b>TOTAL EXPENSES</b>	<b>5,049.74</b>	<b>4,685.37</b>	<b>-364.37</b>	<b>-7.78</b>
Loss before taxation	-47.43	-86.59	39.16	-45.23
Taxation	0.00	0.00	0.00	
<b>Surplus/(Deficit)</b>	<b>-47.43</b>	<b>-86.59</b>	<b>39.16</b>	<b>-45.23</b>

#### **4.1 Income and Expenditure**

**4.1.1** Table 2 shows that CTL recorded an operating deficit of \$47.43 million, reflecting an improvement of \$39.16 million on the deficit of \$86.59 million for 2014/15. The CTL's outturn was influenced by revenue increase of \$403.53 million over that generated in FY 2014/15; increased betting turnover of \$376.74 million, and growth in non-betting revenue by \$26.79 million. Non-betting revenue grew due to an additional \$26.81 million in sponsorships, as corporate entities were more willing to partner with CTL. .

**4.1.2** Total expenses of \$5,049.74 million represented an increase of \$364.37 million over the prior period. This increase arose from higher dividends of \$247.33 million; generally, dividends vary with the level of betting activities and hence the increase. Additionally, other racing expenses (exclusive of personnel costs) increased by \$87.50 million; retroactive expenses associated with the staff classification and the agreement reached between CTL and unionised staff, resulted in staff costs increasing by \$51.28 million to \$423.43 million. However, CTL was able to control non-racing costs (particularly electricity theft) which declined by \$21.74 million.

#### **4.2 Balance Sheet and Cash Flow Highlights**

**4.2.1** CTL is insolvent as indicated by a net shareholders' deficit of \$623.79 million (2014/15: \$576.36 million). The Entity's total asset base increased by \$43.69 million to \$571.65 million, while liabilities amounted to \$1,195.44 million, an increase of \$91.12 million on that at March 31, 2015. The rise in CTL's liabilities was impacted by the Company's cash constraints. Accordingly, there was an increase by \$65.06 million in bets winning tax and pool duty, while unclaimed winnings grew by over \$23 million.

**4.2.2** CTL was able to generate positive cash flows from operations (\$41.49 million) however this was supplemented with amounts carried forward to finance the capital programme. Accordingly, the Company recorded a reduced cash balance of \$23.78 million at the end of the period (2014/15: \$32.41 million).

#### **5.0 CONCLUSION**

**5.1** CTL continued to experience severe operational challenges which are reflected in its financial results. Given the Government's inability to inject the required investment, it is anticipated that the divestment in progress will yield the required investments which will finance the transformation of the Track into a world class facility.



Audley F. Shaw CD, M.P.  
Minister of Finance and the Public Service  
November 21, 2016

