

**CAYMANAS TRACK LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED MARCH 31, 2017**

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, 2017.

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. Divestment activities for Caymanas Track were concluded on March 7, 2017 and the property leased to Supreme Venture Racing and Entertainment Limited (SVREL).

2.0 DISCLOSURES

2.1 Auditors' Report

2.1.1 CTL's independent auditors indicated that the financial statements give a true and fair view of the financial position of the Company at March 31, 2017. The Auditors KPMG also indicated that the evidence obtained was sufficient and appropriate to provide a basis for their opinion and noted that the financial statements were prepared in accordance with International Financial Reporting Standards and the Jamaican Companies Act. However, KPMG emphasised that the continuation of the Company as a going concern may be in doubt as CTL continued to report losses, significant net current liabilities and net shareholders 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 (2011) (Amendment 2014), details of the compensation packages for CTL's senior executives are enclosed. For the review period, salaries and emoluments paid to senior executives totalled \$60.52 million (2015/16: \$62.08 million) and accounted for 10.84% of total staff costs. The Report includes details of the compensation paid to the Directors which totalled \$1.48 million (2015/16: \$0.96 million). The Board of Directors was appointed on April 17, 2016, and one (1) of the Directors resigned on July 1, 2016.

3.0 OPERATIONAL REVIEW

3.1 The 2016/17 financial year commenced with the Government of Jamaica continuing its efforts to divest the operations of CTL. The divestment was completed on March 6, 2017 and all staff members were made redundant and CTL's legacy operations were relocated to 78CEF Hagley Park Road at the office of the Betting Gaming and Lotteries Commission.

3.2 Racing

Table 1: Racing Activities for Financial Year 2016/17

Particulars	2016/17	2015/16	Change
# of racedays (local)	72	74	-2
# of racedays (simulcast-USA)	340	355	-15
# of racedays (simulcast-UK)	-	254	-254
# of races (local)	743	764	-21
# of races (simulcast-USA)	12,705	12,549	156
# of races (simulcast-UK)	-	579	-579
Total Turnover (racing income) - \$m	4,329.02	4,296.65	32.37

3.2.1 During the period there was some unrest which contributed to a cancellation of two simulcast racedays in August 2016. Given this fall-off, to maintain the revenue inflows the management sought to increase American simulcast racing, which resulted in fifteen (15) additional racedays (Table 1). Given the improvement in American simulcast, English racing was discontinued as the fixed rights fees per month were less than the American fees based on sales.

3.2.2 The Company generated turnover of \$4,329.02 million (2015/16: \$4,296.65 million) as a result of managing 72 local and 340 simulcast USA race days. CTL's final day of promoting horse racing was on March 6, 2017, the day the divestment was completed.

4.0 FINANCIAL HIGHLIGHTS

Table 2 Income and Expenditure Statement for Financial Year 2016/17 (\$ m)

Particulars	2016/17 \$M	2015/16 \$M	Variance (\$)	Variance (%)
Revenue:				
Local Betting	2,646.17	2,614.44	31.73	1.21
Simulcast Betting	2,119.28	2,120.35	-1.07	-0.05
Betting Turnover	4,765.45	4,734.79	30.66	0.65
Interest Income	2.25	1.70	0.55	32.35
Other Income	731.64	265.82	465.82	175.24
TOTAL REVENUE	5,499.34	5,002.31	497.03	9.94
Expenses:				
Dividends	3,191.34	3,169.55	-21.79	-0.69
Other Racing Expenses (excludes Personnel Costs)	1,092.86	1,085.91	-6.95	-0.64
Personnel Cost (racing and non-racing staff)	558.55	423.43	-135.12	-31.91
Depreciation	31.23	27.80	-3.43	-12.34
Other expenses	746.06	343.05	-403.01	-117.48
TOTAL EXPENSES	5,620.04	5,049.74	-570.30	-11.29
Loss before taxation	-120.70	-47.43	-73.27	154.49
Taxation	0.00	0.00	0.00	
Surplus/(Deficit)	-120.70	-47.43	-73.27	154.49

4.1 Income and Expenditure

4.1.1 Table 2 shows that CTL recorded an operating deficit of \$120.65 million, reflecting a deterioration of \$73.22 million on the deficit of \$47.43 million for 2015/16. The Company's outturn was influenced by increased expenses of \$570.30 million over that of financial year 2015/16. The increased expenses were primarily influenced by loss on disposal of property, plant and equipment (\$267.72 million), staff costs (\$135.12 million) and impairment loss (\$65 million).

Given the divestment certain assets were revalued on disposal hence the loss, while staff costs were higher than 2016/16 given redundancy costs.

4.1.2 Total revenue of \$5,499.34 million represented an increase of \$497.03 million over the \$5,002.31 million from the prior period. This increase arose primarily as a result of purse contribution (\$247.49 million) and bookmakers' rights fees (\$128.91 million).

4.2 Balance Sheet and Cash Flow Highlights

4.2.1 CTL is insolvent as indicated by a net shareholders' deficit of \$669.97 million (2015/16: \$623.79 million). The Company's total assets declined by \$201.08 million chiefly from impairment loss of \$375.49 million realised on property, plant and equipment. Notably inventories and resale agreements of \$21.52 million and \$17.95 million were disposed of as part of the CTL's divestment activities.

4.2.2 CTL utilized \$77.68 million cash in its direct operations. The Company disposed of assets valued at \$89.84 million and the inflow on disposal was used to assist in the purchase of fixed assets and loan repayment. Accordingly, the Company recorded a cash balance of \$20.58 million at the end of the period (2015/16: \$23.78 million).

5.0 CONCLUSION

5.1 During the period CTL continued to experience operational challenges which were reflected in its financial performance. It is of note that the divestment of the Track to SVREL was concluded on March 7, 2017. The divestment of the Track should provide the required financing to transform the Track into a modern racing facility. CTL was relocated to 78cef Hagley Park Road and has initiated the process of winding up the operations. However, winding up activities will be influenced by the timeframe to settle outstanding litigation matters.



Nigel Clarke DPhil., MP
Minister of Finance and the Public Service

August 20th, 2018

