

MINISTRY PAPER

#58/06

**BETTING, GAMING AND LOTTERIES COMMISSION  
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005.**

**INTRODUCTION**

1. The matter for tabling in the Houses of Parliament is the Annual Report and Audited Financial Statements for the Betting, Gaming and Lotteries Commission for the financial year ended March 31, 2005.

2. The Betting, Gaming and Lotteries Commission (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 effectively, the betting, gaming and lotteries industry in order to ensure its (the industry's) continued growth and viability, while seeking to protect the public from unfair, unscrupulous and illegal activities.

**DISCLOSURES**

**Auditors' Report**

3. The Auditors, KPMG Peat Marwick, gave their unqualified report, indicating that proper accounting records were kept and that the financial statements were in accordance with International Financial Reporting Standards (IFRS). KPMG also noted that the results of BGLC's operations and its cash flows complied with the provisions of the BGLC Act.

**Compensation for Senior Executives**

4. Pursuant to the Second Schedule (Part 1) of the Public Bodies Management and Accountability Act, 2001, details of emoluments for the 5 senior executives are included in the Annual Reports. These amounted to \$14.51 million and ranged from \$2.40 million to \$3.99 million. Compared to the \$13.67 million expended in 2004/05, the amount represented an increase of \$0.85 million which resulted directly from annual increments.

**OPERATIONAL HIGHLIGHTS**

5. The Commission continued its close monitoring and regulating of the gaming industry. Its record of activities, as well as government revenue payable (based on the BGLC Act) are shown in Table 1. Revenue to the public sector fell by \$11.72 million to \$2,131.11 million as the decline of \$33.56 million in the intake from the lottery sector exceeded the increase of \$21.84 million in total receipts from gaming machines and horseracing (betting).

Table 1: Summary of Betting, Gaming and Lottery Activities

Particulars	2004/05	2003/04*	Variance
<b>BETTING (\$M):</b>			
Sales:			
Racing Promoter	2,936.55	2,848.06	88.49
Bookmakers	1,904.32	1,812.33	91.99
<b>TOTAL</b>	<b>4,964.82</b>	<b>4,660.93</b>	<b>303.89</b>
Government Levy/Revenue Payable	420.73	398.99	21.74
<b>LOTTERIES (\$)</b>			
Sales	13,211.86	12,455.86	756.00
Public Sector Revenue **	1,669.78	1,703.34	(33.56)
<b>GAMING:</b>			
<b>Gaming Machines:</b>			
# of Premises Licensed	331	441	(110.00)
# of Gaming Machines Licensed	3,250	3,241	9.00
# of Gaming Machines Seized	507	697	190
Public Sector Revenue (\$m)	40.60	40.50	0.10
<b>Prize promotions</b>			
# of Applications Received	388	334	54.00
# of Applications Approved	252	242	10.00
<b>Total Public Sector Revenue Payable</b>	<b>2,131.11</b>	<b>2,142.83</b>	<b>(11.72)</b>
<b>BGLC's portion of Public Sector Revenue</b>	<b>158.03</b>	<b>150.95</b>	<b>7.08</b>
<b>BGLC's operating surplus</b>	<b>67.44</b>	<b>31.83</b>	<b>35.61</b>

\*Adjustments made to statistics for prize promotions approved and public sector revenue from lotteries.

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

## Gaming and Lotteries Sector

### Gaming Machines and Prize Promotion

6. During 2002/03, the Commission embarked on an island-wide thrust to regularise gaming machine operators and this process was almost complete by the end of 2004/05. Accordingly 3,250 machines were licensed during the year compared to 3241, 1864 and 186 in 2003/04, 2002/03 and 2001/02 respectively.

7. The differentiation of the gaming machine sector increased with the transition of some premises into gaming lounges. This posed a problem for the BGLC, which increased its efforts to seek ways to detect money laundering activities and to protect players at the lounges.

8. BGLC scrutinised closely, the conduct of prize competitions, which continued to be a major marketing tool for a number of companies. The number of applications rose to 388, as indicated in Table 1 (334 in 2003/04), of which 252 were approved and 39 were rejected. The Commission continued to seek new revenue opportunities from this source and pursued an amendment to the BGLC Act in this regard.

### Lotteries

9. Notwithstanding the effects of Hurricane Ivan, a 50% increase in Lotto ticket prices in March 2004, contributed to the growth of \$756 million in lottery sales to \$13,211.86 million, as shown in Table 1. In addition, the sector continued its rebound subsequent to December 1,



2003, when the 15% betswin tax on lottery prize money became applicable only to amounts in excess of \$15,000 and not on all winnings. While a resultant decline in betswin tax in 2004/05 effected the fall of \$33.56 million in public sector revenue from lottery, it is noted that other contributions from the sector increased.

### **The Betting Sector**

10. The betting sector comprises the promoter of local horseracing, Caymanas Track Limited (CTL) and its network of Off-Track Betting Parlours (OTBs), as well as bookmakers and their network of betting offices. In 2004/05, the number of bookmakers was reduced from 14 to 11 chiefly as some inefficient bookmakers either volunteered or were forced to cease or suspend operations.

11. Table 1 shows that the sector recorded sales of \$4,926.68 million compared to \$4,660.39 million in the previous year. For the first time in 5 years, CTL's sales exceeded \$3,000 million and was attributed to several revenue building strategies implemented during the last quarter of the year. Public sector revenues from this source, also grew, moving to \$420.73 million from \$398.99 million.

### **Activities of the Enforcement Division (BGLC)**

12. Some of the Commission's major objectives were achieved through its Enforcement Division. During the year, the Division focused on identifying and taking action against illegal operators of gaming machines and Cash Pot. The Division also sought to reduce the extent of breaches of the BGLC Act by licensees in the horseracing sector.

13. A total of 97 operations were conducted and these targeted illegal gaming machines (64), illegal lottery activities (30), illegal betting (2) and illegal prize competitions (1). This represented a decline of 40% on that for 2003/04 as more time was spent on intelligence gathering, investigations and operational planning in respect of individual cases. Results included the arrest of 56 persons (77 in 2003/04), which led to 52 convictions. In addition, 507 unlicensed gaming machines were seized, of which 451 or 89% (compared to 73% in 2003/04) were subsequently licensed and returned to their operators.

### **Other**

14. BGLC continued to seek ways to strengthen its regulatory capacity through continual training of its staff. In addition, the Commission pursued amendments to the BGLC Act in order to modernise the industry (eg. extending opening hours for betting shops and the granting of multi-year licences to bookmakers), while extending its regulatory boundaries.

## **FINANCIAL HIGHLIGHTS**

### **Income and Expenditure**

15. The Commission recorded an overall decline of \$7.12 million in total income compared to that of the previous year. Notwithstanding, an increase of \$35.61 million in surplus after tax, which moved to \$67.44 million, was realised. This resulted chiefly as the Commission allocated less to the horseracing sector than in the previous year. Accordingly, grant funding to the sector totalled \$13.33 million during the year, compared to \$70 million in the previous year. It is notable that other expenses (including staff costs of \$95.25 million) were contained and totalled

\$122.01 million compared to \$119.04 million in 2003/04.

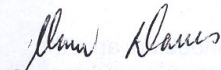
### **Balance Sheet Highlights**

16. The Commission's net assets grew by \$73.34 million to \$329.55 million in line with significant growth in investments (including resale agreements) which moved to a total \$263.77 million from \$195.58 million. The increase in investments was facilitated by excesses from operations, which were invested mainly in debentures and indexed bonds, as the Commission continued to diversify its portfolio.

17. Accounts receivable (\$23.24 million) and payable ((\$18.87 million) were kept at acceptable levels and accounted for 12.2% and 58% of total current assets and liabilities respectively, compared to 11.79% and 65% in the prior year. It is noted that the Commission incurred no long-term debt during the period.

### **CONCLUSION**

18. The Commission continued to face the challenges associated with increased gaming activities, however, BGLC's effort to strengthen its regulatory capacity and results recorded were commendable. It is anticipated that the Commission will continue to be proactive in its approach to undertaking its mandate.



Omar Davies, M. P.  
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June 30, 2006