



# Annual Report

For the Period  
1 September 2015  
to  
31 March 2017



# BERMUDA CASINO GAMING COMMISSION

## ANNUAL REPORT & FINANCIAL STATEMENTS

For the Period 1 September 2015 to 31 March 2017

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# MISSION STATEMENT

To establish and regulate a sustainable casino gaming industry in Bermuda

# VISION

To be recognised as a progressive, innovative and socially responsible regulatory body

## **OVERVIEW OF BERMUDA CASINO GAMING COMMISSION**

The Casino Gaming Act came into effect in 2014, and by Section 6 of the Act, the Bermuda Casino Gaming Commission (“BCGC”) was established.

### **BOARD OF COMMISSIONERS**

#### **Governance**

BCGC is under the direction of the Minister of Economic Development and Tourism, who appoints the selected members of the Board of Commissioners (the Commission), and provides policy direction to guide its operations.

The Board of Commissioners provide oversight to BCGC, and comprises the following members who are appointed by the Minister of Economic Development and Tourism, for a three (3) year term.

The Members are:

- Mr. Alan Dunch - Chairman
- Mr. Gary Madeiros - Deputy Chairman (Finance)
- Mrs. Judith Hall-Bean - Commissioner (Human Resource)
- Mr. Dennis Tucker - Commissioner (Hospitality)
- Mr. Derek Ramm - Commissioner (Enforcement/AML)

## CHAIRMAN'S MESSAGE

It has been our distinct pleasure to begin the process of introducing Integrated Resort Casinos into Bermuda, based on the directives outlined in the Casino Gaming Act 2014.

Since the inception of the Bermuda Casino Gaming Commission in September 2015, we have worked tirelessly toward our goal of creating a dynamic and robust gaming industry – one that not only secures enhanced employment for Bermudians, but also increases investment to the island.

We are tremendously proud of our achievements to date. Bermuda has never before had a regulated gaming industry or legislation to protect its most vulnerable citizens from the risks of problem gambling. Yet in a very short space of time, with fairly minimal staff and budget, we have created a secure and solid foundation for a safe and responsible industry moving forward. This is no small feat.



No matter what obstacles have come our way, we have stood firm in our commitment to design an effective casino regulatory framework that works for Bermuda and benefits Bermudians at all levels of society.

**Alan Dunch**  
**Chairman**

## EXECUTIVE DIRECTOR'S MESSAGE



We believe that a well-regulated commercial gaming experience has the potential to increase the tourism appeal of Bermuda, providing the Island with a thrilling and exciting new amenity for the global tourism market. Our team of dedicated staff have worked tirelessly to ensure that the Island's first operating facility can open its doors to the local public in 2018/19 once a robust regulatory framework is set. If fulfilled, that means we were able to start this project from the ground up and managed to get it operational in less than three years, on a budget of less than \$10 million and with staff of less than ten people. That, by any estimation is ground breaking.

Getting to this point however, hasn't been simple. BCGC has devoted months to collaborating with entities like the Bermuda College, Bermuda Police Services, Bermuda's Financial Intelligence Agency and the National Anti-Money Laundering Committee.

We have enlisted help from international entities like the New Jersey Division of Gaming Enforcement, the UK Gambling Commission, the U.S. Consulate, the Nevada Gaming Control Board and the University of Nevada, Las Vegas (UNLV) to ensure no detail is overlooked and no stone unturned.

Since our inception, we have been met with both praise and criticism, taking both in stride. In December 2015, Global Gaming Business Magazine, the leading monthly gaming trade publication, commended BCGC's leadership for its talent and vision. While Gaming Expert Kevin Mulally, of Gaming Laboratories International, a company which has been sought out by more than 475 regulatory agencies around the world, admitted he had "great respect" for BCGC's leadership and staff, commending our determination in setting up the building blocks so Bermuda can benefit from a "very robust, fully implemented, responsible gaming prevention and treatment programme that meets its current and future needs. We look forward to taking even greater strides in the months to come and welcome your full support in this important endeavour.

**Richard Schuetz**  
**Executive Director**

## **OPERATIONAL HIGHLIGHTS**

### **INTRODUCING GAMING EDUCATION AND TRAINING**

In 2017, a dedicated team of Bermuda representatives, visited the UNLV, where they carried out in-depth discussions with experts from the top ranked global hospitality and gaming training programme.

During their two-day visit, they met with gaming professionals from both UNLV and the private sector, with time split between formal meetings and site visits.

The purpose of the trip was to identify resources and assets to assist us in ensuring a high level of Bermudians can participate in the casino industry, and to create an avenue for Bermudians to acquire specialist training.

BCGC is working to develop a partnership with UNLV, making it possible for Bermudians to get training online as well as at the Bermuda College.

### **BUILDING PARTNERSHIPS AND UNDERSTANDING**

Commissioners and staff are working and collaborating with both foreign and local entities to make gaming a reality in Bermuda in 2018. Our organization has a good working relationship with the Attorney-General's Chambers; members of the opposition party; the Bermuda College; the Department of Workforce Development; the Bermuda Hospitality Institute; the Bermuda Tourism Authority; the Financial Intelligence Agency; the National Anti-Money Laundering Committee; the Bermuda Police Service; Government House; the US Counsel General; the faith community; the recovery community; Bermuda Charities; and numerous other partners.

Our overseas associates include, amongst others, the Gaming Laboratories International; the Nevada Gaming Control Board; the New Jersey Division of Gaming Enforcements; the National Council on Problem Gaming; and the UK Gambling Commission.

On top of this, we have entered into overseas partnerships with the New Jersey Division of Gaming Enforcement, and another with the UK Gambling Commission. BCGC intends to also sign partnerships with other entities such as the Bermuda Police Service, Financial Intelligence Agency (FIA), and other jurisdictions, as required.

### **STAFFING AND TRAINING**

BCGC commenced with five (5) employees, including the Executive Director, from December 2015 until March 2016. Our team began with an Executive Director, General Counsel, Chief Financial Officer, Executive Administrator and Junior Office Assistant. Our team compliment was a total of seven (7) employees by 31 March 2017.

We are committed to ensuring our team continue to develop professionally and endeavour to provide resources for training to enhance our ability to regulate to world class standards.

### **SUITABILITY TESTING**

Our intent is to ensure that owners, operators, managers, employees, vendors and sources of finance are free from any inappropriate past associations and behaviours, and represent high ethical standards. We will achieve this by conducting suitability testing.

## **VETTING CONSULTANCY AGENCIES**

Since commencing operations in September 2015, BCGC has gone through a process of inviting bids for tender to assist with the vetting process of all consultancy agencies. This would ensure all experts hired to work on the Island's emerging gaming industry meet our suitability standards of operating with good character and demonstrating honesty/integrity in their professional and personal dealings.

We will partner with these firms to provide services which include suitability assessments of corporate entities and individuals; personal, civil and criminal background checks; forensic auditing including tracking sources of funds and funds transferred to potential gaming operators; risk management; compliance and internal control assessments. Our existing stakeholders have worked alongside us to ensure anti-money laundering regulations and policies are in place to protect the island. Additionally, they have assisted us in developing an internal compliance evaluation and assessment framework.

## **CASINO APPLICATION PROCESS**

In March 2016, we began accepting applications for the Designated Site process - the first step toward introducing Integrated Resort Casinos to the Island. The next stage, the Request for Proposal (RFP) process, was officially opened on April 17, 2017, with the aim of attracting bids from those integrated resort developments, which best allow Bermuda to advance with its goals and objectives for gaming. This stage involved a complete investigation of personal and business associations; the criminal and civil history of those involved in the endeavour; as well as a rigorous study of the financial history and circumstances of all individuals and entities. It will also assess the percentage of Bermudians an operator plans to hire, job training criteria and AML conditions.

This Suitability stage is rigorously performed to ensure all individuals and entities involved in the project offer the highest standards of character, honesty and integrity.

## **CREATING POLICIES & PROCEDURES**

In late 2014, the Casino Gaming Act was passed, allowing for the formation of BCGC, with a goal to "maintain and administer systems for the licensing, supervision and control of casinos". One of the initial tasks, was to thoroughly review the 2014 Act and advise the Minister on any amendments to be made to ensure the legislative framework met the Island's current and future needs and global best practices. It was determined forty-one (41) crucial amendments needed to be made to the Act, so as to shorten the time to market, make the Act more attractive to operators, reduce expenses, and reduce the human resource needs of BCGC, all while maintaining system and process integrity. The Act created provisions for BCGC to recommend a maximum of three (3) provisional licences, in addition to the legislatively approved provisional licence granted to the developer of the site located in St. George.

## **VETTING SERVICE PROVIDERS**

BCGC has also collaborated with Bermudian firm ADL Compliance Limited, to complete comprehensive background checks on employees who join are team. This includes criminal, civil and credit checks and other media vetting etc. These are of paramount importance to ensure those with access to a local casino's financial assets and complex technologies are both honest and possess integrity.

## **FEES AND TAX REGULATIONS**

BCGC has ensured the enactment of two (2) sets of very important regulations, namely the Casino Gaming (Casino General Reserve and Taxes) Regulations 2017 and The Casino Gaming (Casino Fees) Regulations 2017. Most importantly, a third set of regulations entitled “the Casino Gaming (Casino Licence Application) Regulations 2017”, were being prepared to be signed off by the Minister in March.

An initial application fee applies to anyone interested in obtaining a Designated Site Licence. For those successful at the RFP stage, they will be eligible for a provisional license, pending a thorough suitability assessment. Out of the fees paid for each provisional license, a portion of that sum goes directly to the Problem Gaming Council, towards the training of treatment professionals. An additional sum from each provisional license will be provided to local educational facilities, for the purpose of providing educational and vocational training relating to gaming employment.

## **ANTI-MONEY LAUNDERING**

Since inception, we have addressed the importance of developing an anti-money laundering (AML) and anti-terrorist financing (ATF) culture at the very foundation of our commission. With that said, we have compiled a list of “best practices” to be included in AML legislation, and have also met with representatives of Bermuda's National Anti-Money Laundering Committee (NAMLC), to discuss our desired casino-specific legislative AML provisions. From those discussions, “guidance notes” were prepared to provide extensive guidance and instructions for casino operators on AML matters.

The appointment of Commissioner Derek Ramm also demonstrates our commitment to safeguarding the Island from AML. Mr. Ramm is the Director of the Ontario Lottery and Gaming Corporation's AML programmes. He has also served as Canada's liaison for gaming for the Financial Action Task Force, and as the gaming industry representative to the Canadian Department of Finance - which is Canada's advisory committee for AML/ATF.

In addition, our Executive Director, Richard Schuetz, has over forty (40) years' experience within the gaming industries of the U.S., China and Europe; while our General Counsel has served with the Bermuda Monetary Authority, finally our Chief Financial Officer has served as the Director of Finance for the UK Gaming Commission.

As part of our mission to establish working relationships with individuals and institutions within the Bermuda and global AML/ATF ecosystem, BCGC has met with the Financial Intelligence Agency (FIA), the Bermuda Police Service (BPS), the Bermuda Monetary Authority (BMA), HSBC Bermuda, Butterfield Bank and Clarien Bank. Outside of Bermuda we have engaged with the Division of Gaming Enforcement for the State of New Jersey, the Gambling Supervision Commission of the Isle of Man, the Gambling Commission of the UK, and others.

We have also assembled a library of materials in office to address the institutional, historical and legal issues surrounding AML/ ATF.

## **FINANCIAL ACTION TASK FORCE (FATF) RECOMMENDATIONS**

Bermuda is preparing for a Mutual Evaluation of its AML/ATF regime in 2018. In preparation for that evaluation, the Bermuda National Anti-Money Laundering Committee (NAMLC) identified technical gaps and challenges, which required legislative amendments. Those amendments are necessary to enhance the ability of NAMLC agencies to be more effective in performing their functions and cooperate appropriately with other agencies within the AML/ATF regime.

Although there are presently no casinos in Bermuda, BCGC is required to establish a robust regime, which is compliant with FATF standards. Due to the volume and value of financial transactions that will take place, the casino industry is now 'in scope' for the Caribbean Financial Action Task Force (CFATF) review of potential areas of vulnerability. The unique niche nature of how transactions are processed provides a potential area for crime, which will be required to have strong AML/ATF controls in place. Such controls assist in protecting the reputation of Bermuda as a resort destination. These include: sharing timely information between the FIA and BCGC; ensuring important patron identification information is collected and deposits are made to patron accounts. It also includes prohibiting certain transactions and activities in order to prevent money laundering in casinos.

## **PROBLEM AND RESPONSIBLE GAMING**

### **TREATMENT PROVIDER PARTNERSHIPS**

BCGC has utilized an evidence-based best practice approach in developing a programme to provide protections for the vulnerable - which includes underage persons, as well as problem and pathological gamblers. We are working in connection with existing local treatment providers and the Government to ensure proper protections are in place for the vulnerable, and their families, long before the first casino opens its doors.

Vulnerable individuals, and those with an addiction to gaming, are already present in Bermuda. They are able to feed their habit by way of illegal gambling and the loosely regulated gambling already on Island. At present there is no assistance or protections whatsoever available to those individuals

Fulfilling one of our primary objectives, BCGC has set up its Problem Gaming Council, including expertise from five (5) Bermudians, such as: Family Therapist and Counsellor Dr. Ernest Peets Jr.; Former Executive Director of the Mid-Atlantic Wellness Institute Dr. Sharon Apopa; Former Civil Servant Kevin Monkman and Retired Lawyer Kathleen Keane. Meanwhile, Commissioner Judith Hall-Bean, a retired Civil Servant, was named Council Chairman.

Further demonstrating our commitment, we have been welcomed by the National Council on Problem Gambling (NCPG) as an Organizational Member. We are looking to the leadership of the NCPG to assist in our mission of creating a competent and well-developed problem gaming programme in Bermuda.

### **STAKEHOLDER PRESENTATIONS**

Dedicated to educating and training those in special interest fields, as well as general interest we have held a series of presentations for the community.

In May 2016, Jenny Williams, the former Chief Executive of UK's Gambling Commission, visited the Island to meet with local politicians to discuss the implementation of integrated resort casinos to Bermuda and was on hand to answer a series of questions on the issues and challenges surrounding gaming. Ms. Williams, in 2005, was integral in the development of the UK Gaming Commission (which regulated commercial gambling and lotteries in the UK), and led the body until her retirement in 2015. She said local stakeholders were "very interested" in her experience and finding out what the potential issues would be for Bermuda. She maintained that casinos were the most "supervised and controlled places for gambling environments in the world, and were actually one of the least problematic elements of the gaming industry, in her experience."

## OVERVIEW OF BOARD OF COMMISSIONERS

**Alan W. Dunch J.P.**, was appointed Chairman of the Bermuda Casino Gaming Commission in February 2015. Tasked with overseeing and guiding the Commission in its mission of licensing and regulating the casino gaming industry on the Island, Chairman Dunch also served as Director of litigation practice at his law firm, MJM Limited.

A lifelong Bermudian, he is recognized for his significant involvement and contributions within the legal community, both on the Island and internationally. In his formative years, he was named a Bermuda Government Scholar and Outstanding Young Person of the Year by the Bermuda Jaycees. He went on to receive his Bachelor of Commerce Degree in Accounting at Mount Allison University in New Brunswick, Canada, followed by a Bachelor of Arts Degree in Economics from the same institution. He obtained his legal education from the University of New Brunswick and was called to the Bar in Canada in 1979; shortly before being admitted to the Bar in Bermuda. Chairman Dunch sits on a number of Boards of Directors and provides business, labour and general advice to clients world-wide.

**Garry A. Madeiros**, a Chartered Accountant, has served on a large number of corporate, community and government boards. This includes sitting as Chairman of the Defence & Promotions Board for the Bermuda Regiment; Member of the Executive Committee of Bermuda 2009, which spearheaded the celebration of Bermuda's 400<sup>th</sup> Anniversary, Chairman of the Board for two Bermuda schools – CedarBridge Academy and Mount Saint Agnes Academy; Director and Chairman of Finance of the Mid-Ocean Club and President of the Institute of Chartered Accountants of Bermuda, among many others.

Mr. Madeiros spent 14 years as President & CEO of Belco Holdings Limited (now known as Ascendant Group Limited), Bermuda Electric Light Company and Bermuda Gas & Utility Limited, until his retirement in 2007. A graduate of St. Francis Xavier University in Nova Scotia, Canada, where he received a Business Administration Degree with a Major in Accounting, Mr. Madeiros went on to achieve his Chartered Accountant designation from the Institute of Chartered Accountant of Nova Scotia. He was appointed Deputy Chairman of the Bermuda Casino Gaming Commission, effective May 1, 2015.

**Judith Hall-Bean**, was employed as a Civil Servant with the Bermuda Government for almost 49 years, before retiring from her final post as Deputy Head of the Civil Service in 2013. For a number of years, Ms. Hall-Bean served as the Chairperson of the Government Negotiation Team, directly responsible for employment contract negotiations with the Unions representing Government employees. In addition to being a member of the Bermuda Casino Gaming Commission, she also serves on the Juvenile Panel, the Criminal Injuries Compensation Board and is a member of a handful of charitable boards (The Family Centre, The Bermuda Red Cross, Outward Bound, The Bermuda Hospitals Charitable Trust and others).

**Derek Ramm**, appointed as Commissioner in April 2015, serves as the Director of Anti-Money Laundering Programmes for the Ontario Lottery and Gaming Corporation (OLG), one of North America’s largest gaming companies. He leads the anti-money laundering and counter-terrorist financing programmes throughout Ontario, which includes 24 casinos. Prior to this, he spent more than seven years as a federal officer with the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), the Canadian Government’s Financial Intelligence Unit. Mr. Ramm is frequently invited to give seminars to public and private sector organisations on the fight against money laundering and terrorist financing. He is currently based in Oakville, Canada.

**Dennis Tucker**, is a lifelong Bermudian who had a distinguished career in the local hotel industry, stemming back to 1960. During his time in hospitality, Mr. Tucker served in a variety of positions for the Bermuda Employers Council and the Bermuda Hotel Association. He currently serves as the Chief Executive Officer and Secretary to the Board of Trustees of the Hotel Pension Trust Fund; he also actively participates in philanthropic endeavours through the Bank of Bermuda Foundation and as President of the Sandys Rotary Club. He was appointed Commissioner to BCGC in February 2015.

**RENUMERATION REPORT**

Executive Director	\$190,000 - \$240,000
General Counsel	\$170,000 - \$210,000
Chief Financial Officer	\$145,000 - \$190,000

\*Since date of publication, there have been modifications to the membership of the Board of Commissioners. The members are now as follows:

- Mrs. Cheryl Ann Mapp - Chairman (Legal background)
- Mrs. Judith Hall-Bean - Deputy Chairman (Human Resource background)
- Mr. Dennis Tucker - Commissioner (Hospitality background)
- Mr. Johnathan Smith - Commissioner (Enforcement background)
- Mr. Daniel Reece - Commissioner (Financial background)



# Audited Financial Statements

For the Period  
1 September 2015  
to  
31 March 2017

**Bermuda Casino Gaming Commission**

**Financial Statements**

**March 31, 2017**



Crawford House, 1<sup>st</sup> Floor, 23 Church St., Hamilton HM11  
Tel.: (441) 400-2100 Fax: (441) 400-2120

August 15, 2018

Office of the Auditor General  
Reid Hall  
3 Reid Street  
Hamilton HM11

Dear Sirs:

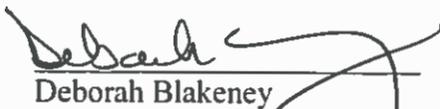
**Re: Management's Responsibility for the Financial Statements**

These financial statements have been prepared by management, who are responsible for the reliability, integrity and objectivity of the information provided. The preparation of financial statements necessarily involves using management's best estimates and judgments, where appropriate.

Management is responsible for maintaining a comprehensive system of accounting records, internal controls, policies and management practices, designed to provide reasonable assurance that transactions are properly authorized and in compliance with legislation, assets are safeguarded, and reliable financial information is available on a timely basis.

Those charged with governance are responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. They meet periodically with management to discuss matters relating to financial reporting, internal control and audits. They also review the financial statements before their approval. The financial statements have been approved by those charged with governance and have been examined by the Office of the Auditor General.

The accompanying Independent Auditor's Report is presented herein.

  
Deborah Blakeney  
Acting Executive Director

  
Julie Grant  
Chief Financial Officer

Date: 15<sup>th</sup> Aug 2018



## *Office of the Auditor General*

Reid Hall, Penthouse  
3 Reid Street  
Hamilton HM 11, Bermuda

Tel: (441) 296-3148

Fax: (441) 295-3849

Email: [oag@oagbermuda.bm](mailto:oag@oagbermuda.bm)

Website: [www.oagbermuda.bm](http://www.oagbermuda.bm)

### **INDEPENDENT AUDITOR'S REPORT**

To the Members of the Commission

#### **Report on the Financial Statements**

I have audited the accompanying financial statements of the Bermuda Casino Gaming Commission, which comprise the statement of financial position as at March 31, 2017, and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the period from September 1, 2015 (Commencement of Operations) to March 31, 2017, and a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with public sector accounting standards generally accepted in Bermuda and Canada, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Bermuda Casino Gaming Commission as at March 31, 2017, and the results of its operations, changes in its net financial assets and its cash flows for the period from September 1, 2015 (Commencement of Operations) to March 31, 2017 in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

## Report on Other Legal and Regulatory Requirements

As required by Section 23 of the Casino Gaming Act 2014, I also report that, in my opinion, the financial statements show fairly the financial transactions and the state of affairs of the Commission, proper accounting and other records have been kept, including records of all assets of the Commission, and the receipts, expenditure and investment of moneys and the acquisition and disposal of assets by the Commission during the period from September 1, 2015 (Commencement of Operations) to March 31, 2017, were in accordance with the provisions of the Act.

Hamilton, Bermuda  
August 15, 2018

A handwritten signature in blue ink that reads "Heather T." with a stylized flourish at the end.

Heather Thomas, CPA, CFE, CGMA  
Auditor General

**Bermuda Casino Gaming Commission**  
**Statement of Financial Position**  
**as at 31 March 2017**

		\$
<b>FINANCIAL ASSETS</b>	<b>Notes</b>	
Cash		725,607
Due from the Government of Bermuda	3	610,000
		1,335,607
 <b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	4	239,992
		239,992
 <b>NET FINANCIAL ASSETS</b>		1,095,615
 <b>NON-FINANCIAL ASSETS</b>		
Tangible Capital Assets	5	200,940
Prepaid Expenses		1,747
		202,687
 <b>ACCUMULATED SURPLUS</b>		1,298,302
 <b>Contractual Obligations</b>	<b>11</b>	

The accompanying notes are an integral part of these financial statements

**Bermuda Casino Gaming Commission**  
**Statement of Operations and Accumulated Surplus**  
**For the 19 Month Period Ended 31 March 2017**

	Notes	Budget \$	Actual \$
<b>REVENUES</b>			
Government of Bermuda Grant	3	3,780,000	3,760,000
Designated Site Fees	7	200,000	200,000
Contributed Income	5 & 6a	-	58,056
Interest Income		50	345
		<u>3,980,050</u>	<u>4,018,401</u>
 <b>EXPENSES</b>			
Staff & Associated Costs	6a	1,177,399	1,139,426
Professional Fees	6b	966,683	497,769
Rent & Utilities	6c	306,362	289,810
Board Member Fees & Associated Costs	6d	274,474	266,976
Consultants	6e	448,001	177,354
Other	6f	406,409	175,315
Amortization of Tangible Capital Assets		79,488	91,199
Travel, Professional Development and Associated Costs	6g	223,992	82,250
		<u>3,882,808</u>	<u>2,720,099</u>
 <b>OPERATING SURPLUS</b>		 97,242	 1,298,302
 <b>ACCUMULATED SURPLUS, BEGINNING OF PERIOD</b>			 <u>-</u>
<b>ACCUMULATED SURPLUS, END OF PERIOD</b>			<u><u>1,298,302</u></u>

The accompanying notes are an integral part of these financial statements

**Bermuda Casino Gaming Commission**  
**Statement of Change in Net Financial Assets**  
**For 19 Month Period Ended 31 March 2017**

		\$
<b>NET FINANCIAL ASSETS, BEGINNING OF PERIOD</b>	<b>Note</b>	-
Operating surplus		1,298,302
Acquisition of prepaid expenses		(1,747)
Acquisition of tangible capital assets	5	(292,139)
Amortization of tangible capital assets	5	91,199
<b>INCREASE IN NET FINANCIAL ASSETS</b>		<b>1,095,615</b>
<b>NET FINANCIAL ASSETS , END OF PERIOD</b>		<b>1,095,615</b>

The accompanying notes are an integral part of these financial statements

**Bermuda Casino Gaming Commission**  
**Statement of Cash Flows**  
**For 19 Month Period Ended 31 March 2017**

	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating surplus	1,298,302
Adjustments for items not affecting cash:	
Amortization of tangible capital assets	91,199
Changes in non-cash working capital:	
Increase in due from the Government of Bermuda	(610,000)
Increase in accounts payable and accrued liabilities	239,992
Increase in prepaid expenses	(1,747)
	<hr/>
Net cash generated from operating activities	1,017,746
<b>CASH FLOW FROM CAPITAL ACTIVITY</b>	
Acquisition of tangible capital assets	<hr/> (292,139)
<b>NET INCREASE IN CASH</b>	725,607
CASH, BEGINNING OF PERIOD	<hr/> -
CASH, END OF PERIOD	<hr/> <hr/> 725,607

The accompanying notes are an integral part of these financial statements

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# *BERMUDA CASINO GAMING COMMISSION*

## *NOTES TO THE FINANCIAL STATEMENTS*

*19 MONTHS to 31 MARCH 2017*

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### **1. NATURE OF OPERATIONS**

The Bermuda Casino Gaming Commission (the “Commission”) was established under the Casino Gaming Act 2014 (the “Act”). The principal objects of the Commission are to maintain and administer systems for the licensing, supervision and control of casinos, for the purpose of:

- Ensuring that the management and operation of a casino is carried out by persons who are suitable, and remains free from criminal influence or exploitation;
- Ensuring that gaming in a casino is conducted honestly;
- Containing and controlling the potential of a casino to cause harm to minors, vulnerable persons and society at large; and
- Performing such functions as may be necessary to fulfil such principal objects.

The Commission commenced operations on 1 September 2015.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

Pursuant to standards established by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada, the Commission is classified as an other government organization. These financial statements have been prepared by management in accordance with public sector accounting standards generally accepted in Bermuda and Canada and the accounting policies considered particularly significant are as follows:

#### **a) Revenue Recognition**

Revenues are recognized in the period in which the transactions or events occurred. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The Commission derives its revenue from a Government of Bermuda grant, casino taxes and fees.

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# BERMUDA CASINO GAMING COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

19 MONTHS to 31 MARCH 2017

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Deferral of License Fees

Provisional License fees which fall due prior to the approval of regulation are deferred subject to the review and agreement of the Commission.

c) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the period are expensed.

d) Cash

Cash is comprised of Bermuda dollar and US dollar checking and savings accounts with a local bank.

e) Tangible Capital Assets and Amortization

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are classified according to their function. Amortization is recorded on a straight-line basis over their estimated useful lives as follows:

Office Furniture & Equipment	5 years
Computer hardware and software	3 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Commission's ability to deliver on its mandate, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations and accumulated surplus.

f) Prepaid Expenses

Prepaid expenses represent amounts paid in advance for future expenses.

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# BERMUDA CASINO GAMING COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

19 MONTHS to 31 MARCH 2017

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### g) Measurement Uncertainty

These financial statements are prepared in accordance with public sector accounting standards generally accepted in Bermuda and Canada. These standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring the use of estimates include the estimated useful lives of tangible capital assets and accruals. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates.

#### h) Financial Instruments

Cash is recognized at cost. Amounts due from the Government of Bermuda, accounts payable, and accrued liabilities are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Write-downs on financial instruments in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial instruments are then written down to net recoverable value with the write-down being recognized in the statement of operations and accumulated surplus.

#### i) Statement of Re-Measurement Gains and Losses

A statement of re-measurement gains and losses has not been presented as the Commission does not have any significant financial assets or liabilities that would give rise to re-measurement gains or losses.

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# BERMUDA CASINO GAMING COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

19 MONTHS to 31 MARCH 2017

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### j) Related Party Transactions

The Commission has opted to implement the early adoption of PS 2200 for the period under review. 1 April 2017 would customarily be the standard adoption date.

### 3. TEMPORARY ECONOMIC DEPENDENCE ON GOVERNMENT

The Commission is temporarily economically dependent upon the Government of Bermuda ("the Government") and received a grant of \$3,760,000 to cover operational costs. The final installment of \$610,000 which was due to be received by 31 December 2016 was received subsequent to the year end on 13 April 2017. The Government has now advised the Commission to seek commercial funding going forward. At the time of producing these financial statements, the Commission has discussed commercial funding with a local bank with the intent for this funding to be supported by a Government Letter of Guarantee.

### 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	\$
Accounts Payable	156,266
Payroll Liabilities	20,013
Vacation Liability	21,546
Commissioners' Fee Liability	42,167
<b>TOTAL</b>	<b>239,992</b>

- a) Accounts payable and accrued liabilities relate to trade and operational liabilities. Payroll liabilities relate to employee benefits including health, social insurance and pensions.
- b) The Chairman of the Commission opted to defer receiving fees due for duties performed to enable the Commission to reduce the outflow of funds until after the close of the year. At the time of producing the financial statements and in accordance with the terms of his appointment, all accrued fees due were paid.

# BERMUDA CASINO GAMING COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

19 MONTHS to 31 MARCH 2017

### 5. TANGIBLE CAPITAL ASSETS

	Computer Software & Hardware	Office Furniture & Equipment	Total
	\$	\$	\$
<b>COST</b>			
<b>Additions</b>	155,524	136,615	292,139
<i>At March 31, 2017</i>	155,524	136,615	292,139
<b>ACCUMULATED AMORTIZATION</b>			
<b>Amortization</b>	63,305	27,894	91,199
<i>At March 31, 2017</i>	63,305	27,894	91,199
<b>Net Book Value</b>			
<i>At March 31, 2017</i>	92,219	108,721	200,940

The Ministry responsible for the Commission absorbed costs relating to a deposit for furniture of \$38,306 which has been capitalized on the statement of financial position. This has been recognized as contributed income.

### 6. EXPENSES– 19 Months to 31 March 2017

Expenses are reported in total by object on the statement of operations and accumulated surplus. Each line item is provided in further details as follows:

#### a) Staff and Associated Costs

	\$
<b>Salaries</b>	939,183
<b>Payroll Expenses &amp;     Associated Costs</b>	200,243
<b>Total</b>	1,139,426

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# BERMUDA CASINO GAMING COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

19 MONTHS to 31 MARCH 2017

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### 6. EXPENSES— 19 Months to 31 March 2017 (continued)

The Executive Director received a compensation package of \$331,866 for the 19 months ending 31 March 2017. The Ministry responsible for the Commission absorbed costs relating to the compensation package for the Executive Director in his first month of employment. These costs amounted to \$19,750 and have been recognized as contributed income. Payroll expenses include Payroll Tax, Pension Expense, Health Insurance and Associated costs.

#### b) Professional Fees

	\$
Legal Fees	403,390
Resources and Book-keeping	67,794
Compliance Advisory	15,500
Legal Fees General	11,085
<b>TOTAL</b>	<b>497,769</b>

#### c) Rent & Utilities

	\$
Rent	187,699
Cleaning and Maintenance	38,427
Security	24,262
Utilities	21,182
Land Tax	12,429
Building Service Charges	5,811
<b>TOTAL</b>	<b>289,810</b>

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# BERMUDA CASINO GAMING COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

19 MONTHS to 31 MARCH 2017

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### 6. EXPENSES– 19 Months to 31 March 2017 (continued)

#### d) Board Member Fees and Associated Costs

	\$
Commissioners Fees	171,167
Commissioners Travel	95,809
<b>TOTAL</b>	<b>266,976</b>

The Board comprises of five (5) Commissioners. Commissioners were appointed with the following fee structure:

- Chairman \$22,000 per annum
- Deputy Chairman \$18,000 per annum
- Commissioners \$15,000 per annum

From the inception of the Commission up to 31st March 2017, total travel costs for Commissioners amounted to \$95,809. Further, in accordance with Section 7 (1b) (ii) of the Act, one member of the Board of Commissioners is required to have law enforcement and anti-money laundering expertise. The Minister appointed an overseas Commissioner to fulfill this appointment. The travel costs for the overseas Commissioner related to attending monthly Board meetings and other Commission business in Bermuda averaged \$2,332 per trip, which is included in the overall total travel costs for Commissioners.

#### e) Consultants

	\$
I.T. and Other	95,533
Responsible and Problem Gaming	48,395
Gaming Laboratories International	33,426
<b>TOTAL</b>	<b>177,354</b>

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# BERMUDA CASINO GAMING COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

19 MONTHS to 31 MARCH 2017

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### 6. EXPENSES— 19 Months to 31 March 2017 (continued)

#### f) Other Expenditure

	\$
Communication	51,847
Corporate Services	43,693
Stationery	30,593
Advertising	16,105
Other Expenses	13,398
Subscription	6,050
Government Permits	4,837
Bank Service Charges	4,440
Administration Expenses	4,352
<b>TOTAL</b>	<b>175,315</b>

#### g) Travel, Professional Development and Associated Costs

	\$
Travel Executive Director	46,328
Travel Staff	22,412
Professional Development	9,347
Other Travel related exp.	4,163
<b>TOTAL</b>	<b>82,250</b>

### 7. DESIGNATED SITE FEES

The Commission received \$200,000 in designated site fees. A designated site is a parcel of land or an existing tourist resort as a site for an integrated resort. The prescribed fee for an application under Schedule 2 of the Casino Gaming (Designated Sites) Regulations 2016 is \$50,000.

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# BERMUDA CASINO GAMING COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

19 MONTHS to 31 MARCH 2017

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### 8. EMPLOYEE FUTURE BENEFITS

Employee benefits include the following:

a) Pension plans

The Commission has two different pension plans both of which are defined contribution plans.

The Registered Plan which is for all Bermudian employees and members of staff that are the spouse of a Bermudian, and is in accordance with the National Pensions Scheme (Occupational Pensions) Act 1988, and a 401k plan which provides for US employees retirement planning. The plans are administered by the Argus Group.

Employee contributions to the plans are 5% of gross salary and they are matched by the Commission. These contributions are recognized as pension contribution expenses when they are due. The Commission's contributions to the plans during the period were \$26,619.

b) Other benefits and compensated absences

Full-time regular employees are eligible for a variety of benefits including medical insurance. Medical insurance is provided by Colonial Medical Insurance Co. Ltd.

Compensated absences include maternity leave, paternity leave, sick leave and vacation days. All of these benefits are unfunded.

Maternity and paternity leave do not accumulate or vest and therefore an expense and liability is only recognized when extended leave is applied for and approved.

Sick leave does not accumulate or vest, and a liability is recorded only when extended leave is applied for and approved. There was no extended sick leave applied for or approved during the current period and therefore, no liability has been accrued in the accounts.

Vacation days accumulate and vest and therefore a liability is accrued at 31 March each year. The accrued liability at 31 March 2017 of \$21,546 is included in accounts payable and accrued liabilities.

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# BERMUDA CASINO GAMING COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

19 MONTHS to 31 MARCH 2017

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### 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Commission is exposed to various risks through its financial instruments. The Board has overall responsibility for the establishment and oversight of its risk management framework. The Commission manages its risk and risk exposure through sound business practices. The following analysis provides a measure of the risks at the reporting date.

a) Credit risk

Credit risk arises from cash held with banks and amounts due from the Government of Bermuda. The maximum exposure to credit risk is equal to the carrying value (net of allowances) of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Commission assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors.

i. Cash

Cash consists of cash in checking and savings accounts. Credit risk associated with cash is minimized substantially by ensuring that these financial assets are invested with highly rated financial institutions.

ii. Amounts due from the Government of Bermuda

The Commission determines, on a continuous basis, amounts receivable on the basis of amounts it is virtually certain to receive based on their estimated realizable value. It is management's opinion that the Commission is not exposed to significant credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Commission will not be able to meet its financial obligations as they become due. The Commission mitigates such risk by monitoring cash activities and projected outflows through budgeting and maintaining liquid cash balances.

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# BERMUDA CASINO GAMING COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

19 MONTHS to 31 MARCH 2017

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### 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

#### c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Commission has minimal exposure to market risk.

##### i. Foreign exchange risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The majority of receivables and payables are generally settled in local currency or in US dollars therefore the Commission has no exposure to foreign exchange risk.

##### ii. Interest rate risk

Interest rate risk is the risk that interest rates change, which may impact interest revenue on short term investments. The Commission has no exposure to interest rate risk.

### 10. CAPITAL MANAGEMENT

The Commission's objective when managing capital is to hold sufficient accumulated surplus to enable it to withstand negative unexpected financial events. The Commission achieves this objective through management of cash flows. The Commission is not subject to any externally imposed capital requirements.

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# BERMUDA CASINO GAMING COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

19 MONTHS to 31 MARCH 2017

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### 11. CONTRACTUAL OBLIGATIONS

The Commission has entered into various contracts to ensure operational support. The contracts have commencement terms prior to 31 March 2017 and the latest contract termination date is 30 September 2019. These material contractual obligations will become liabilities in the future when the terms of the contracts are met.

Vendor	Contract End Date	Monthly Fee \$	Remaining Contractual Obligations \$
Photocopier rental	Nov-18	634	12,054
Office space rental	Sept-19	11,725	351,750

### 12. RELATED PARTY TRANSACTIONS

The Commission reported all transactions occurring between related parties in the Statement of Operations and accumulated surplus. None of those transactions occurred at a different value from that which would have been arrived at if the parties were unrelated and therefore did not have a material impact on the financial statements.

### 13. COMPARATIVE FIGURES

The Commission commenced operations in period under review. The current period figures relate to a period of nineteen months commencing 1 September 2015. As such, there are no comparative figures.

### 14. LITIGATION AND CONTINGENCIES

During 19 months to 31 March 2017 there were no litigation matters or contingent liabilities.

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# BERMUDA CASINO GAMING COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

19 MONTHS to 31 MARCH 2017

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### 15. SUBSEQUENT EVENTS

#### i. Repayable Loan

In the year 2017/18 the Government entered into a facility agreement with the Commission on 21 July 2017 and provided \$1.6m in an interest free repayable loan. The Commission received the funds in two tranches of \$800,000. In the year 2018/19 a further \$500,000 was provided in an interest free repayable loan per facility agreement dated 16 July 2018. Repayment will commence when the Commission financially attains a balanced budget position.

#### ii. Letter of Guarantee

On 29 March 2018, the Ministry of Finance provided the Commission with a letter of guarantee for commercial borrowing up to \$500,000.