



Annual Report

For the period
1 April 2017
to
31 March 2018



BERMUDA CASINO GAMING COMMISSION

ANNUAL REPORT & FINANCIAL STATEMENTS For the Period 1st April 2017 to 31st March 2018

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MISSION STATEMENT

To establish and regulate a sustainable casino gaming industry in Bermuda

It is the Commission's mission to develop a robust [basis in which to build on/methodology for operations], is designed specific to Bermuda's jurisdictional differences. This will consequently ensure monitoring, and intervention - when appropriate, within the industry remains at a high quality. Alongside this, we deem it vital to keep stakeholders abreast of any amendments and to remain transparent with the public

VISION

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

In standing with the island's financial reputation, the Commission's vision is to maintain the high level recognition by setting the gaming industry on par with such

PUBLIC POLICY GOALS

To increase employment, stimulate investment in

Bermuda's economy and enhance the view of Bermuda as a tourist destination. Advertising or marketing standards will be of high caliber, and refrain from enticing locals or vulnerable. Aim to use as little of the public's funds until we reach the point that income is generated and then can contribute to the economy

OVERVIEW OF BERMUDA CASINO GAMING COMMISSION

The Bermuda Casino Gaming Commission (“BCGC”) was established in September 2015 in conjunction with the Casino Gaming Act being enacted. The Commission’s responsibilities since inception have been to:

- Develop rules and regulations in preparation for the future launch of casinos. These include but are not limited to the internal controls and operations of casinos – which ensure the safety of the casinos and patrons, the fees associated with the licensure and ongoing revenue within casinos.
- Create measures that provide safeguards and assistance for the existing and potential vulnerable persons in relation to gaming.

Once casinos are in existence, the Commission is responsible for regulating the controls initiated

BOARD OF COMMISSIONERS

Governance

During the fiscal year, BCGC were moved from reporting to the Ministry of Finance to reporting to the Ministry of Tourism and Economic Development in November 2018. The minister is responsible for ensuring the Commission is functioning to the highest efficiency and effectiveness provides policy direction to guide the Commission’s operations as well as achieve their work plan goals and purposed within the budget granted. They are also responsible for conveyance of any new legislation in Parliament relating to their area of responsibility.

At the top of BCGC’s organizational structure is the Board of Commissioners. The Board of Commissioners are appointed by the Commission’s Minister for a three (3) year term to fulfill their function as stated in act. The Board meet once a month to discuss and advise the commission on operational matters. The board is comprised of the following members:

The Members in place on 31st March 2019 are:

- Mrs. Cheryl Ann Mapp - Chairman

- Mrs. Judith Hall-Bean - Deputy Chairman (Human Resource)
- Mr. Dennis Tucker - Commissioner (Hospitality)
- Mr. Jonathan Smith - Commissioner (Enforcement)
- Mr. Daniel Reece - Commissioner (Finance)

CHAIRMAN'S FOREWORD

In the former fiscal year 2018/19, we have made great advances. Although it may not appear to the public as though significant progress has been made, there is a great deal of works that must first be done behind the scene in order ensure a great foundation is being laid as the regulator of a sector. Going backwards to revisit and rewrite the groundwork is not an option. In this sector, there is very little room for error.

In anticipation of betting being legislated to fall under our remit, the Commission have done a great deal of research on the best approaches to begin regulating a pre-existing sector that is currently unregulated.



We have reduced expenditure and resources in all possible ways while still ensuring the quality of our regulatory services was compromised. This has been an important aim of ours. We are also pleased to have completed our audit process within the time-frame outlined by the Office of the Auditor General. As a small team, it has not been easy to manage our ongoing projects as well as meeting the demands faced at year end for auditing, but our multifaceted team have managed to accomplish the task in a timely manner.

The former Chief executive vacated the post in December 2017 and the Commission has subsequently undertaken an extensive recruitment process, advertising both locally and

abroad without a suitable candidate to date. The services of an Executive Recruiter are to be engaged to assist with securing a leader for the Commission's team as soon as possible.

The Commission will design and implement governance documents, including licensing conditions, codes of conduct, supervisory principles, etc. that will provide transparency about the Commission's operations.

Some great strides we have made in the past year were:

- Having regulations tabled in House of Assembly
- Designing and implementing governance documents, such as licensing conditions, codes of conduct, supervisory principles, etc., that provide transparency about the Commission's operations
- Having betting sector developed to accept international industry standards
- Securing independent financing
- Securing correspondent bank

Cheryl Ann Mapp
Chairman

Functions and Duties of the Commission

Bermuda is introducing the integrated resort casino gaming model which will provide an alternative stream of revenue to the island by tourists, and to a lesser proportion, locals - who will have greater scrutiny in order to partake. This will ensure less chance of loss in individuals' daily life. Gaming will be offered as an amenity in addition to others, such as dining, spas and shopping, at licensed resorts.

The Bermuda Casino Gaming Commission ('the Commission') is an independent corporate body established to oversee the development of the emerging casino gaming industry and subsequently govern it.

In detail, we:

- Will regulate and control casino gaming in Bermuda
- Outline the systems and controls acceptable for operations within casinos – ensuring integrity and fairness, and will oversee they are adhered to
- Conduct background checks on all parties directly involved in the operating of casinos in Bermuda
- Institute measures and controls to-
 - (a) protect the vulnerable, including children; from any harm or exploitation arising from casino gaming;
 - (b) limit opportunities for crime or any disorder associated with casinos;
 - (c) facilitate responsible casino gaming;
 - (d) Advise the minister on matters of general policy relating to casino gaming in Bermuda;
- Carry out such other functions pertaining to the casino gaming industry as may be assigned to it by or under the Casino Gaming Act 2014 or any other enactment.

Prior to the launch of casinos, we have to ensure that the appropriate regulatory framework, governance, and operational support is in place. We have established 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. Through guidance and research, these relationships have allowed us to develop the foundation within our respective areas

Creating Opportunities

The impending launch of casinos presents opportunities for Bermudians to work in the gaming industry. The Commission has continued to focus on ensuring Bermuda's have the best opportunities to gain employment in this emerging industry and receive the best development opportunities to allow them to excel. To support this, BCGC continues to work collaboratively with educational bodies such as the Bermuda College, The Department of Workforce Development, Bermuda Hospitality Institute and the University of Nevada Las Vegas.

The decision to permit casino gaming was influenced by the intention to increase the amount of visitors to Bermuda per year, create more job opportunities and expand Bermuda's entertainment options. It was legislated to permit casinos only within integrated resorts – property consisting of a hotel and other amenities.

Training and Development

The Commission has a top priority to present locals with training opportunities to enable them to work in the gaming industry. Being a small organization, it is beneficial not only for the individual to grow and develop, but for us to have as wide of knowledge as possible within house without having to outsource (when possible). We strive to continue developing the knowledge and capabilities of our staff to enable them to continue to grow as individuals and to enrich the organization. We have continued to send our staff to training courses in order to develop their skill sets to allow them to perform a greater variety of tasks and prepare them for the challenges the casino gaming industry will bring. An additional benefit to training is networking opportunities. Meeting individuals from other regulatory jurisdictions gives the opportunity to learn, network and advance our understanding.

National Risk Assessment

During this fiscal year, the BCGC attended and contributed to efforts by the National Anti- Money Laundering Committee. Through the leadership of NAMLC, Bermuda was required to conduct a National Risk assessment, to which the Commission was required to contribute.

Even though the Casino Gaming industry is emerging, plans to supervise and regulate this sector are of critical importance. The Caribbean Financial Action Task Force (CFATF) requires our input as well as our intended plans to ensure AML/ATF risks are identified.

Ongoing projects will continue to be significantly impacted by the upcoming CFATF mutual assessment which will take place in the third quarter of 2018. The Commission is actively working to prepare for the assessment by putting into place mechanisms that will positively affect the current and future assessments of Bermuda's AML/CFT regime and legislative framework. Participation in this regime will ensure we supervise to international standards.

Operations, Legal & Regulatory

In August 2018, the Commission hosted representatives of the United Kingdom Gaming Commission. The visit consisted of the representatives assisting Bermuda Casino Gaming Commission with reviewing the suitability of the UK model for Bermuda. The representatives explored the suitability of the framework for Bermuda through orientation meetings with the executives of the Commission and board members, as well as meeting with operators of betting shops/casino. Based on the information attained during the visit, the UK Gaming Commission representatives advised that Bermuda adopt a principles-based regulatory approach which allows decisions to be made on a case-by-case basis if necessary. It was also suggested that the percentage of tax intended to be

imposed on the casinos be decreased, and that geofencing would be favorable. Enforcing geofencing enables users on gaming applications the ability to access the applications within certain coordinates only. This is beneficial to the community, as it reduces risk of addictive gaming habits. Once the user is no longer within the resorts perimeters, gaming is disabled.

A correspondent bank was secured during the last fiscal year with the assistance of an external investment company.(Rose Investment)

The Commission ensures we are remaining current in gaming practices by attending annual International Casino conferences (ICE).

PROBLEM AND RESPONSIBLE GAMING

In keeping with our vision of being a “socially responsible regulatory body” we continued the community education program, which aims to “Educate, Equip, and Empower” all stakeholders in Bermuda.

Problem and Responsible Gambling Awareness Month in March 2019, the DPRG and Council members appeared in four segments, “Strength for the Journey” radio show hosted by Gina Spence, two segments of “Teacher Talk” radio show hosted by Michelle Laylor and Dean Foggo. We aim to reach and educate the public in any way possible.

The BCGC facilitated discussions between representatives of the Bermuda Addiction Certification Board and the International Gambling Counselor Certification Board to implement a plan offering local counselors international certification. This will ensure that our clinicians are guided by best practices when providing clinical interventions for problem gamblers.

The Council hosted over thirty hours of clinical training on the treatment of problem gamblers for fifty-two counselors. The primary goal of the training was to prepare counselors for international certification by the International Gambling Counselors

Certification Board.

The DPRG conducted twelve presentations to various primary, middle-school, and high-school PTA's on the convergence of gaming and gambling, its impact on school-aged children, and various intervention strategies.

Our commitment to educating the community is supported internationally through ongoing membership with the National Council on Problem Gambling (NCPG) as an Organizational Member. Our Director of Problem and Responsible Gaming, attended the Annual Conference in Cleveland, Ohio in July 2018.

Preparing the best method for regulating betting and bringing it under the Commissions' remit has been an important focus especially given that this is an existing area of gaming in Bermuda. The Director of Problem and Responsible Gaming begun by visiting the betting shops, in order to understand the way that they are currently run, and how to smoothly transition them to being properly regulated. The intention is to liaise with the shop owners to understand the manner in which they currently conduct their shops, while integrating the best practices for them and their customers. The Commission has hosted numerous meetings and provided consultation papers allowing the betting shops to provide their input on the system being generated.

Finance and Human Resource

Mention HR committee and finance committee if D. Reece in place for timeframe. The BCGC documents its financial policies and procedures, including processes for the production of the annual budget, annual audit, reporting requirements and banking arrangements. BCGC is continuously making additions and revisions to its policies and procedures in relation to operational and financial administration ensuring that we are operating efficiently and remaining effective and transparent.

The HR committee is comprised of the CFO, our Deputy Chairman and one Commissioner. Discussions are ad hoc and to discuss relevant matters that require Board approval.

A finance subcommittee was implemented consisting of the CF and one Commissioner to authorise preapproval before final Board approval of budgets and audit reporting, etc. The subcommittee meet once a month or on ad hoc. The subcommittee ensure the Commission's expenses remain below the projected value.

The Team

Over the last year, the team has downsized, the work plan activities were accomplished with fewer resources than initially intended. For an establishment of such volume, it was inevitable work delegated was unbiased, where possible. This meant keeping communication lines wide open by sharing knowledge, past and present so that everyone was kept abreast and able to carry out their assigned tasks.

These practices allowed the team to grow substantially, and kept on par with our culture of growing our staff. The most valuable asset in any organization is its people and the Commission is fortunate to have assembled a diverse array of individuals in its team. Since the previous fiscal year, we have made additions to the team. We have grown since inception to a team of nine employees. These additions have resulted in less outsourcing and the expansion of knowledge and skill sets.

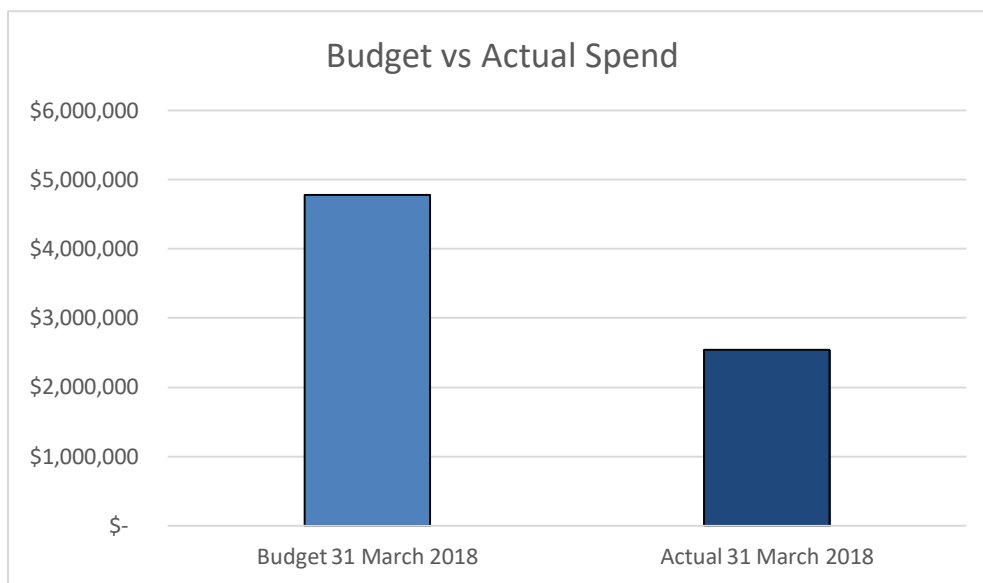
Not only has the structure of our full-time staff changed, our board experienced transition also. With two members of the board remaining from the previous composition, this ensured continuity and necessary dialogue regarding the way forward. At the time of producing this report, the Minister had secured appointments with new Board members with equally impressive areas of expertise.

After providing a firm foundation for the organization to forge ahead we experienced the departure of the Executive Director. Efforts to search for a replacement Executive Director continue and an Acting Director has been put in place.

Financial Accountability

The BCGC is subject to an annual audit by the Office of the Auditor General to ensure efficiency and accountability. We also respond to any recommendations to improve our reporting and control framework. Our audited financial statements, which are included in this report, are tabled in the House of Assembly.

We have successfully resourced the organization with expenditure at 46% below our anticipated budget. This speaks to our ability to be fiscally prudent with our expenses whilst developing our regulatory regime. We continue to work with external audit firms to consult on best practice for control procedures and processes.



Overall we have we have transitioned well into our second reporting period. We would like to take this opportunity to thank our team, vendors and stakeholders for continuously working with the Commission. We also thank our Ministry Head Quarters for supporting our vision.

OVERVIEW OF BOARD OF COMMISSIONERS

Cheryl-Ann Mapp – Chairman, is a practicing member of the Bermuda Bar with 30 years' experience providing legal and compliance services on a wide range of complex regulatory issues. She heads Island Legal Outsourcing Solutions a regulatory compliance practice which provides outsourced independent legal, compliance and governance services within Bermuda and the Caribbean. Mrs. Mapp has held key leadership roles as general counsel, compliance manager and compliance consultant and has been engaged to support professional firms, financial services companies, government and private entities grappling with practical and policy issues in anti-money laundering/anti-terrorism financing, regulatory compliance, governance, risk, privacy and business continuity. She has served the local community in leadership roles on various government boards and industry groups and in the non-profit sector.

Judith Hall-Bean – Deputy Chairman, 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).

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.

***Jonathan Smith**, served as the Commissioner of Police. He works in the private sector as co-owner of a leading off-site records storage company, a secure document destruction and IT asset Disposal Company, property management and real estate development companies. He is a member of the Telecommunications Commission and the Broadcasting Commission. He previously served as a Government Senator, member of the Public Service Commission, Defense Board, Immigration Board and Trustee of the National Sports Centre.

He has considerable leadership, management and security-sector related experience and trained at the Bramshill Staff College in the UK and the Canadian Police College. His considerable experience with intelligence, security services and law enforcement was derived from relationships, training and work with CIA, FBI, DEA and Metropolitan Police. He served as Chairman of the Emergency Measures Organisation, co-chair of the joint UK-USA White Collar Crime Investigative Team in Miami; Chairman of the Firearms Working Group for the

UK Caribbean Overseas Territories and as an executive member and 2nd VP of the Association of Caribbean Commissioners of Police.

During his tenure as Commissioner, the BPS underwent five years of expansion, a successful external inspection, and creation of the first Police Support Units, Community Beat Officers, the first Operational Community Policing Strategy and an increased firearms capability.

His interests include politics, economics, social and military history. He has written two books; 'In the Hour of Victory,' of which the documentary film adaption won two major International Film Festival awards; and, 'Island Flames,' which was the best-selling book in Bermuda for two years. A third book, 'Black & Blue,' is being written.

He was awarded the OBE for this service to law enforcement. He holds a BSc. in Management from the University of Maryland and a Diploma in Criminology and Police Studies from the University of Cambridge, UK. He is divorced with three adult sons.

***Daniel Reece**, is an independent compliance consultant with over 15 years of experience in the financial services industry. He has held senior compliance and finance positions at major banks and other financial institutions in Bermuda. Daniel is a qualified accountant and holds the Associate in Risk Management (ARM) designation from the American Institute for CPCU.

Commissioner Reece's responsibilities included budget preparation, financial analysis, and reporting, conducting risk assessments (business, reputational, country, regulatory etc.), performing Money Laundering Reporting Officer (MLRO) duties and reporting to relevant stakeholders including Senior Management, Board of Directors and Regulators.

Commissioner Reece also has extensive knowledge in reviewing and creating compliance policies and procedures, independent audits, transaction monitoring (including implementation of systems), regulatory onsite preparation and follow up, and training at all levels of financial organizations.

As a former police officer, Commissioner Reece has received extensive training in Bermuda, United Kingdom and the USA on all aspects of financial crime. He was also one of the founding members of the Bermuda Service Financial Intelligence Unit, which later became the Financial Intelligence Agency (FIA). Daniel has served on the previous tourism boards that have been responsible for developing Bermuda's tourism plan.

*Since the date of publication, the following members resigned

- | | | |
|----------------------|---|---|
| • Mr. Allan Dunch | - | Chairman (Legal background) |
| • Mr. Garry Madeiros | - | Deputy Chairman (Finance background) |
| • Mr. Derek Ramm | - | Commissioner (Enforcement & AML background) |

*Since the date of publication, the following members were appointed by the Minister.

- | | | |
|------------------------|---|---------------------------------------|
| • Mrs. Cheryl Ann Mapp | - | Chairman (Legal background) |
| • Mr. Jonathan Smith | - | Commissioner (Enforcement background) |
| • Mr. Daniel Reece | - | Commissioner (Financial background) |



Audited Financial Statements

Bermuda Casino Gaming Commission

Financial Statements

March 31, 2018

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.

Office of the Auditor General

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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, 2018, and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the period from April 1, 2017 (Commencement of Operations) to March 31, 2018, 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, 2018, and the results of its operations, changes in its net financial assets and its cash flows for the period from April 1, 2017 (Commencement of Operations) to March 31, 2018 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 April 1, 2017 (Commencement of Operations) to March 31, 2018, were in accordance with the provisions of the Act.

Hamilton, Bermuda
x xxxx, 2019

Heather Thomas, CPA, CFE, CGMA
Auditor General

Bermuda Casino Gaming Commission
Statement of Financial Position
as at 31 March 2018

	\$
FINANCIAL ASSETS	Notes
Cash	
Due from the Government of Bermuda	3
	<hr/>
LIABILITIES	
Accounts Payable and Accrued Liabilities	4
	<hr/>
NET FINANCIAL ASSETS	
NON-FINANCIAL ASSETS	
Tangible Capital Assets	5
Prepaid Expenses	<hr/>
ACCUMULATED SURPLUS	<hr/>
Contractual Obligations	11

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 \$
REVENUES			
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		SO	345
		<u>3,980,050</u>	<u>4,018,401</u>
EXPENSES			
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>
OPERATING SURPLUS		97,242	1,298,302
ACCUMULATED SURPLUS, BEGINNING OF PERIOD			
ACCUMULATED SURPLUS, END OF PERIOD			<u>1,298,302</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

		\$
NET FINANCIAL ASSETS, BEGINNING OF PERIOD	Note	<u> </u>
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	<u>91,199</u>
INCREASE IN NET FINANCIAL ASSETS		<u>1,095,615</u>
 NET FINANCIAL ASSETS, END OF PERIOD		 <u><u>1,095,615</u></u>

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

\$

CASH FLOWS FROM OPERATING ACTIVITIES

Operating surplus

Adjustments for items not affecting cash:

Amortization of tangible capital assets

Changes in non-cash working capital:

Increase in due from the Government of Bermuda

Increase in accounts payable and accrued liabilities

Increase in prepaid expenses

Net cash generated from operating activities

CASH FLOW FROM CAPITAL ACTIVITY

Acquisition of tangible capital assets

2

NET INCREASE IN CASH

CASH, BEGINNING OF PERIOD

CASH, END OF PERIOD

The accompanying notes are an integral part of these financial statements

BERMUDA CASINO GAMING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

19 MONTHS to 31 MARCH 2017

1. NATURE OF OPERATIONS

The Bermuda Casino Gaming Commission (the “Commission”) was established under the Casino Gaming Act 2014 (the “Act”). The principal objectives 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.

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.

BERMUDA CASINO GAMING COMMISSION

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.

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.

BERMUDA CASINO GAMING COMMISSION

j) Related Party Transactions

The Commission early adopted PS 2200 Related Party Disclosures on 1 September 2015.

3. TEMPORARY ECONOMIC DEPENDENCE ON GOVERNMENT

The Commission is temporarily economically dependent upon the Government of Bermuda ("the Government") and received funding to cover operational costs. In the year 2017/18 the Government entered into a facility agreement with the Commission on 21 July 2017 and provided \$1,600,000 in an interest free repayable loan. The Commission received the funds in two tranches of \$800,000. Repayment will commence when the Commission financially attains a balanced budget position. The Government has 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. On 29 March 2018, the Ministry of Finance provided the Commission with for Letter of Guarantee for commercial borrowing up to \$500,000.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
	\$	\$
Accounts Payable	124,248	156,266
Payroll Liabilities	50,989	41,559
Commissioners' Fee Liability	-	42,167
Other Liabilities	9,208	-
TOTAL	184,445	239,992

- a) Accounts payable and accrued liabilities relate to trade and operational liabilities. Payroll liabilities relate to employee benefits including health, social insurance, pensions and vacation accrual.

5. TANGIBLE CAPITAL ASSETS

PRIOR PERIOD to 31 March 2017	Computer Software & Hardware	Office Furniture & Equipment	Total
	\$	\$	\$
Opening Cost			
Additions	155,524	136,615	292,139
Closing costs At March 31, 2017	155,524	136,615	292,139

BERMUDA CASINO GAMING COMMISSION

Opening Accumulated Amortisation			
<i>Closing Accumulated Amortisation At March 31, 2017</i>	63,305	27,894	91,199
Net Book Value of Tangible Capital Assets at March 31 2017	92,219	108,721	200,940

12 Months to 31 March 2018	Computer Software & Hardware	Office Furniture & Equipment	Total
	\$	\$	\$
Opening Cost	155,524	136,615	292,139
Additions	1,560	7,191	8,751
Closing costs At March 31, 2018	157,084	143,806	300,890
Opening Accumulated Amortization	63,305	27,894	91,199
<i>Closing Accumulated Amortisation At March 31, 2018</i>	52,266	28,429	80,695
Net Book Value of Tangible Capital Assets at March 31 2018	41,513	87,483	128,996

6. EXPENSES– 12 Months to 31 March 2018

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

	2018	2017
	\$	\$
Salaries	1,134,610	939,183
Payroll Expenses & Associated Costs	209,152	200,243
TOTAL	1,343,762	1,139,426

The Executive Director resigned from the Commission effective 2 December 2017. Payroll expenses include Payroll Tax, Pension Expense, Health Insurance and Associated costs.

b) Professional Fees

	2018	2017
	\$	\$

BERMUDA CASINO GAMING COMMISSION

	Resources and Book-keeping	96,315	67,794
	Legal Fees	87,693	403,390
	Compliance Advisory	58,768	15,500
	Other Professional Fees	1,750	-
	Legal Fees General	-	11,085
c) <u>Rent</u>			
	TOTAL	244,526	497,769
		2018	2017
		\$	\$
	Rent	186,165	187,699
	Maintenance, Utilities and Services	34,859	77,849
d) <u>Board and Costs</u>	Security	3,034	24,262
	TOTAL	224,058	289,810

& Utilities

Member Fees Associated

	2018	2017
	\$	\$
Commissioners Fees	102,345	171,167
Commissioners Travel	36,701	95,809
TOTAL	139,046	266,976

The Board comprises of five (5) Commissioners. Commissioners were appointed with the following fee structure up to 31st December 2017.

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

The fee structure from 1st January 2018 up to 31st March 2017 was as follows:-

- Chairman \$60,000 per annum
- Deputy Chairman \$48,000 per annum
- Commissioners \$36,000 per annum

From 1st April 2017 up to 31st March 2018, total travel costs for Commissioners amounted to \$36,701.

e) Consultants

		2018	2017
		\$	\$
	I.T. and Other	162,952	95,533
f) <u>Other</u>	Responsible and Problem Gaming	28,058	48,395
	Gaming Laboratories International	16,100	33,426
	TOTAL	207,110	177,354

Expenditure

BERMUDA CASINO GAMING COMMISSION

	2018	2017
	\$	\$
Communication	80,712	51,847
Stationery	39,275	43,057
Corporate Services	31,306	43,693
Advertising	13,478	16,105
Recruitment Expenses	7,865	
Bank Service Charges	6,449	4,440
Other Expenses	1,694	11,336
Government Permits	1,025	4,837
TOTAL	181,804	175,315

g) Travel, Professional Development and Associated Costs

	2018	2017
	\$	\$
Travel Executive Director	46,607	46,328
Travel Staff	33,523	22,412
Conferences	12,396	-
Professional Development	12,318	9,347
Travel Other	7,417	4,163
Travel Problem Gaming	4,846	-
TOTAL	117,107	82,250

7. Request for Proposal (RFP) Fees

In accordance with the Gaming Act 2014 and as part of the application for a casino licence the Commission can invite applicants to provide information in the form of a Request for Proposal ("RFP") document.

The RFP issued by the Commission request essential minimum requirements to be complied with by applicants for a casino licence. This application included the payment of \$600,000 in fees. In the year to 31 March 2018 the Commission received \$600,000 in RFP fees.

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.

BERMUDA CASINO GAMING COMMISSION

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 \$51,937 (2017 - \$26,614)

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 2018 was \$28,988 (2017- \$21,546) is included in accounts payable and accrued liabilities.

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 on their estimated realizable value. It is managements opinion that the Commission is not exposed to significant credit risk.

BERMUDA CASINO GAMING COMMISSION

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.

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 Commissions 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.

11. CONTRACTURAL OBLIGATIONS

The Commission has entered into various contracts to ensure operational support. The contracts have commencement terms prior to 31 March 2018 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 Obligation
		\$	\$
Photocopier rental	Nov-18	634	4,438
Office space rental	Sept-19	11,725	216,450
Computer support	Dec -18	900	8,100

BERMUDA CASINO GAMING COMMISSION

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 current period figures relate to a period of twelve months to 31 March 2018 and are compared to the prior period of nineteen months commencing 1 September 2015 end 31 March 2017.

14. LITIGATION AND CONTINGENCIES

During 12 months to 31 March 2018 there were no litigation matters or contingent liabilities.

15. PRIOR PERIOD RESTATEMENT

Some prior year period balances were reclassified to conform with the current year presentation.

16. SUBSEQUENT EVENT

a) Government of Bermuda Loan

In the year 2018/19 a further \$500,000 was provided by the Government of Bermuda in an interest free repayable loan facility agreement dated 16 July 2018. Repayment will commence when the Commission financially attains a balanced budget position.

b) Commercial Lending

In final quarter of 2018/19 an overdraft facility of \$1.2m was arranged through the Bank of N.T. Butterfield. The administration fee for this facility is \$12,000. The applicable interest rate is 6%. The Commission

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;

BERMUDA CASINO GAMING COMMISSION

- 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.

BERMUDA CASINO GAMING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

19 MONTHS to 31 MARCH 2017

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.

BERMUDA CASINO GAMING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

19 MONTHS to 31 MARCH 2017

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.

BERMUDA CASINO GAMING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

19 MONTHS to 31 MARCH 2017

Z. 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 focal 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
TOTAL	239,992

- 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
	\$	\$	\$
COST			
Additions	155,524	136,615	292,139
<i>At March 31, 2017</i>	155,524	136,615	292,139
ACCUMULATED AMORTIZATION			
Amortization	63,305	27,894	91,199
<i>At March 31, 2017</i>	63,305	27,894	91,199
Net Book Value			
<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

		\$
Salaries		\$9,183
Payroll Expenses & Associated Costs		200,243
Total		1,139,426

BERMUDA CASINO GAMING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

19 MONTHS to 31 MARCH 2017

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
TOTAL	497,769

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
TOTAL	289,810

BERMUDA CASINO GAMING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

19 MONTHS to 31 MARCH 2017

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

d) Board Member Fees and Associated Costs

Commissioners Fees	171,167
Commissioners Travel	95,809
TOTAL	266,976

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

1.T. and Other	95,533
Responsible and Problem Gaming	48,395
Gaming Laboratories International	33,426
TOTAL	177,354

BERMUDA CASINO GAMING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

19 MONTHS to 31 MARCH 2017

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
TOTAL	175,315

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
TOTAL	82,250

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.

BERMUDA CASINO GAMING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

19 MONTHS to 31 MARCH 2017

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.

BERMUDA CASINO GAMING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

19 MONTHS to 31 MARCH 2017

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.

BERMUDA CASINO GAMING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

19 MONTHS to 31 MARCH 2017

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.

BERMUDA CASINO GAMING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

19 MONTHS to 31 MARCH 2017

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.

BERMUDA CASINO GAMING COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

19 MONTHS to 31 MARCH 2017

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.

RENUMERATION REPORT

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

Removed from “Creating Opportunities” Section - We also ensure our in house employees are provided opportunities for training and development to thrive in improve upon skills at all levels of the organization.

Removed from “organizational development” section - The results of the hearing garnered

BERMUDA CASINO GAMING COMMISSION

positive reviews in the media and demonstrated the high standard in which both operator and regulator represented their various organizations.

This template will continue to be used going forward for future RFP phases.
