

The Casino Gaming Commission



CGC

2013-2014

Annual Report

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Mission Statement

The mission of the Commission is to regulate and maintain a sound, strong and stringent regulatory regime for casino gaming in Jamaica, ensuring the country's reputation as a gaming jurisdiction of choice which operates on established best practices and standards similar to those of other mature gaming jurisdictions.

Vision

To achieve a profitable and sustainable industry. This will be achieved through proper monitoring of the industry and making intervention as deemed appropriate; keeping pace with industry changes and ensuring that licensees and other stakeholders are aware of the changes; reviewing of the legislation and proposing changes as necessary. In addition the Commission will maintain appropriate and effective working relationships with other licensing authorities and relevant government bodies.

Overview

The Casino Gaming Commission is a statutory body established by the Section 5 of the Casino Gaming Act 2010 with the mandate to regulate the casino gaming industry. The Commission is a self-regulatory body governed by a Board of Commissioners.

Chairman's Message

The assistance provided by the Development Bank of Jamaica to the Commission continued until January 2014 at which time the Commission relocated to offices at 8 Winchester Road, Kingston 10.

The Commission's administrative and operating structure, while not finalized, was addressed in the Third Quarter of the financial year when approval was given for the appointment of an Acting Chief Executive Officer and Legal Officer / Commission Secretary. Further approval for the positions of Director of Finance and Administration and an Administrative Coordinator was received in the Fourth Quarter.

Governance

The Board of Commissioners remained unchanged for the year 2013/14. The members are:

Afeef Lazarus	Commissioner
Consuela Blake	Commissioner
Dennis Edmunds	Commissioner
Dennis Morrison	Commissioner
Joseph A. Matalon	Commissioner
Dr. the Hon. Vincent Lawrence, OJ	Commissioner
Walter Scott, Q.C.	Chairman

The Board continues to provide oversight to the Commission and meets once per month or, in special sessions as required. During the year under review the Board met on ten occasions.

Corporate Governance is strengthened by responsibilities delegated to the Board Committees. The Committees remained very active during the year, in particular the Finance and Legislative Committees, where

extensive guidance and direction was provided on matters relating to the budget, regulations and amendments to the Casino Gaming Act 2010. Significant work continues on the drafting of the Regulations and a Schedule has been developed for the completion of all the Regulations and other legislative actions.

The Board Decisions: Significant decisions were made in the last financial year which included the use of Six Million Five Hundred Thousand Dollars (\$6.5M) received from the Ministry of Finance for the purpose of start-up operations. The funds were used for the establishment of Corporate Offices, procurement of office furniture and equipment and the hiring of an acting Chief Executive Officer and three support staff.

The support staff were those considered necessary to fill the positions essential for start-up purpose and consisted of a Legal Officer/Company Secretary, Director of Finance and Accounts and an Administrative Coordinator.

Response to Invitation for IRDs

During the year under review the MOF extended its invitation to interested persons to submit applications to be considered for the award of an Order as an Integrated Resort Developer. Subsequent to the MOF's invitation, the Commission's activities increased significantly. Notwithstanding limited staff resources, the Commission within its mandate, was able to provide timely responses to queries and to provide advice as deemed appropriate. The MOF is in the process of evaluating the applications and simultaneously the Commission in association with the Financial Investigations

Division (FID), will commence its due diligence on prospective licensees.

Legislation (Regulations/Amendments)

Prospective awardees have expressed concern regarding the long delay in the finalization of the Regulations. As a result of the delays, the Commission is not able to respond positively to stakeholders and other interests. In order to effectively undertake its regulatory role, the Commission has arranged for an external consultant with the requisite expertise in legislative drafting to assist in expediting the drafting of the outstanding regulations.

The Act by Officers was further reviewed by representatives of the US Department of the Treasury, Office of Technical Assistance, and those recommendations will be incorporated in the Amendment Bill.

Services

The Commission also contracted the services a Web Developer to design and implement its website.

Audit

Messers. McKenley and Associates, Chartered Accountants, continued as External Auditors to Commission. The Commission completed its first audit within the time recommended by the GOJ and was submitted to the Ministry of Finance and Planning and received its approval.

Oversight Committee

The Commission continues to coordinate meetings of the gaming regulatory bodies. A position paper is currently being developed with a view to establishing an overarching gaming policy.

Meetings and other activities

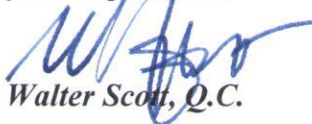
Members and Officers of the Commission participated in several meetings with the Ministry of Tourism and other parties interested in Cruise Casinos. There was also participation in several meetings with other regulatory bodies, FID, BOJ with officers of the Office of the Treasury of the US.

Financial Highlight

The approved budget for the year 2013/14 was Eighty Six Million Three Hundred and Fifty Five Thousand Three Hundred and Eighty Three Dollars (\$86,355,383). The actual amount received was Nine Million Five Hundred and Thirty One Thousand Five Hundred and Seventy Four Dollars (\$9,531,574). The amount expended was Eight Million Seven Hundred and Ten Thousand and Seventy Four Dollars (\$8,710,074) for office refurbishing and the purchasing of furniture and equipment.

The Commission did not earn during the year under review, there being no casinos in operation.

The audited financials give details of the year's operations.


Walter Scott, Q.C.
Chairman



The Casino Gaming Commission

Financial Statements

31 March 2014

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INDEPENDENT AUDITORS' REPORT

To the Members of
The Casino Gaming Commission

We have audited the accompanying financial statements of the Casino Gaming Commission which comprises the Commission's statement of financial position as of 31 March 2014 and the income statement and changes in equity and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Public Bodies Management and Accountability Act. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
The Casino Gaming Commission

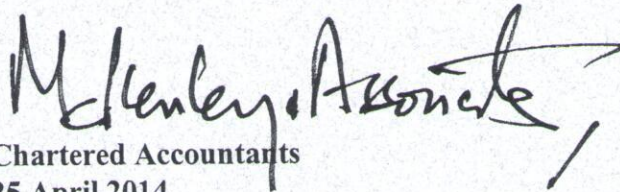
Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Commission as of 31 March 2014, and of the financial performance and cash flows of the Commission for the year then ended in accordance with International Financial Reporting Standards and generally accepted accounting principles.

Report on other legal and regulatory requirements.

As required by the 2010 Casino Gaming Act, the Public Bodies Management and Accountability Act and the Financial Administration and Audit Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required in the manner so required.


Chartered Accountants
25 April 2014
Kingston, Jamaica

THE CASINO GAMING COMMISSION
Income Statement
Year ended 31 March 2014

Page 1

	<u>Note</u>	<u>2014</u> <u>\$</u>	<u>2013</u> <u>\$</u>
Revenue			
Grant income	3(b)	9,531,574	6,500,000
Interest Income		6,712	1,746
Total operating revenue		<u>9,538,286</u>	<u>6,501,746</u>
Operating expenses			
Administrative	8	8,703,360	245,431
Finance	9	6,714	745
Total operating expenses		<u>8,710,074</u>	<u>246,176</u>
Surplus from operations		828,212	6,255,570
Taxation	5	-	-
Net Surplus for the year		<u>828,212</u>	<u>6,255,570</u>

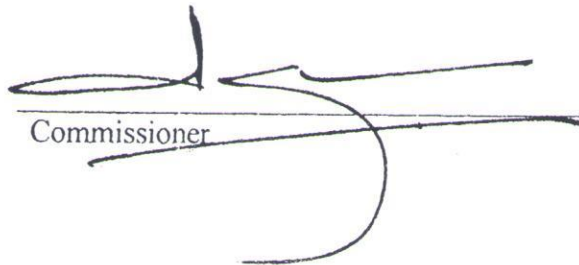
THE CASINO GAMING COMMISSION
Statement of Financial Position
31 March 2014

	<u>Note</u>	<u>2014</u> \$	<u>2013</u> \$
Non- Current Assets			
Property, plant and equipment	4	3,189,745	-
Current assets			
Receivables		228,127	437
Cash & bank	6	7,584,375	6,500,564
		7,812,502	6,501,001
Total Assets		<u>11,002,247</u>	<u>6,501,001</u>
Equity and liability			
General fund		7,083,782	6,255,570
Current liability			
Payables	7	3,918,465	245,431
Total reserves and liability		<u>11,002,247</u>	<u>6,501,001</u>

Approved for issue on behalf of the Commission on 25 April 2014 and signed on its behalf by:



 Chairman of the Board



 Commissioner

THE CASINO GAMING COMMISSION
Statement of Cash Flows
Year Ended 31 March 2014

	<u>2014</u>	<u>2013</u>
	\$	\$
Cash flows from operating activities:		
Surplus for the year	828,212	6,255,570
Depreciation	48,341	-
Adjustments :	<u>876,553</u>	<u>6,255,570</u>
Increase/ (Decrease)		
Receivables	(227,690)	(437)
Payables	3,673,034	245,431
	<u>3,445,344</u>	<u>244,994</u>
Cash provided by operating activities	<u>4,321,897</u>	<u>6,500,564</u>
Investing Activity:		
Purchase of fixed assets	(3,238,086)	-
Cash used in investing activity	<u>(3,238,086)</u>	<u>-</u>
Increase in cash balance	1,083,811	-
Cash balance - beginning of the year	6,500,564	-
Cash balance - end of the year	<u>7,584,375</u>	<u>6,500,564</u>

THE CASINO GAMING COMMISSION
Statement of Changes in Equity
Year ended 31 March 2014

	<u>Capital Grant</u>	<u>General Reserve</u>	<u>Total</u>
	\$	\$	\$
Balance as at 1 April 2012	-	-	-
Surplus for the year	-	6,255,570	6,255,570
Balance as at 31 March 2013	-	6,255,570	6,255,570
Surplus for the year	-	828,212	828,212
Balance as at 31 March 2014	-	7,083,782	7,083,782

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES:

The Casino Gaming Commission (The Commission) was established under section 5 of the Casino Gaming Act 2010 as a statutory not-for-profit organization with the principal functions to:

- a) regulate and control casino gaming in Jamaica;
- b) approve systems of controls for, and administrative and accounting procedures in casinos, in order to ensure integrity and fairness in casino gaming;
- c) conduct investigations into the operation of casinos and the holders of specified offices
- d) institute measures and controls to;
 - (i) protect the vulnerable, including children, from any harm or exploitation arising from casino gaming;
 - (ii) limit opportunities for crime or any disorder associated with casinos;
 - (iii) facilitate responsible casino gaming;
 - (iv) prevent money laundering and the financing of terrorist activities in relation to casino gaming;
- e) advise the Minister of Finance and Planning on matters of general policy relating to casino gaming in Jamaica and
- f) carry out such other functions pertaining to casino gaming as may be assigned to it by or under the Act or any other enactment.

The Commission commenced operations with effect from 16 April 2012 and the financial statements are prepared under the historical cost convention, and are presented in Jamaican dollars (\$), which is the reporting currency of the Commission.

FUNDING:

The Casino Gaming Commission secures funding for operations from the Government of Jamaica (GOJ).

THE CASINO GAMING ACT:

The Casino Gaming Act was passed in 2010 and its objects are to:

- a) Establish a regulatory scheme for the conduct of casino gaming in Jamaica;
- b) Encourage the establishment of a number of substantial integrated resort developments by licensing the carrying on of casino gaming as part of a mix of various tourism amenities and facilities available to guests of hotels in such developments;
- c) Ensure that casino gaming is conducted in a fair and open manner;
- d) Ensure that casino gaming is regulated efficiently and effectively;
- e) Prevent casino gaming from being a source of crime or disorder or being used to support crime, and
- f) Protect children and other vulnerable persons from exploitation due to casino gaming.

2. BASIS OF PREPARATION:

a) Basis of preparation:

- i. These financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) which is based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations Committee of the IASB and recommendations by the Institute of Chartered Accountants of Jamaica.
- ii. The preparation of the financial statements to conform to generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and contingent liabilities at the statement of financial position date and the revenue and expenses during the reporting period. Actual results could differ from those estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis and any adjustments that may be necessary would be reflected in the year in which actual results are known.
- iii. Expected useful life and residual value of an asset are reviewed at least each financial year end. Useful life of an asset is defined in terms of the asset's expected utility to the company.

Standards, interpretations and amendments to published standards effective in the reporting period.

During the reporting period, new standards, interpretations and amendments were applied for the first time but none of these had a material effect on the financial statements.

Standards, Interpretations and amendments to published standards that are not yet effective.

At the date of authorization of these financial statements, there were certain new standards, interpretations and amendments to existing standards which were in issue but which were not yet effective. The commissioners anticipate that the adoption of the standards, interpretations and amendments, which are relevant in future periods, is unlikely to have any material impact on the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES:

a) Fixed assets

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of material and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Depreciation is calculated on the straight line basis at such rates that will write off the carrying value of the assets over the period of their estimated useful lives. Each financial year, the depreciation methods, useful lives and residual values are reassessed. .

Annual depreciation rates are as follows:

Furniture & fixtures	10%
Computers	20%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Repairs and maintenance expenditure are charged to the income statement during the financial period in which they are incurred.

b) Grants

Grants are recognized in the income statement to match them against the expenditure to which they contribute as follows:

- (i) Non-current asset grants – over the useful economic life of the asset
- (ii) For past costs incurred – immediately in the income statement
- (iii) For current and future costs – in the period that the costs are recognized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Receivables

Receivables are carried at anticipated realizable value. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified and where management has exhausted all efforts to collect the outstanding balance.

d) Cash and bank

Cash and bank balances are carried in the statement of financial position at cost. For the purpose of the cash flow statement, cash and bank balances comprise cash at bank.

e) Foreign currencies transactions

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Foreign currency balances are translated at the applicable rates of exchange ruling at the statement of financial position date. Exchange differences are reflected in the income statement. There were no foreign currency transactions during the year.

f) Payables and accrued charges

Payables and accrued charges are stated at cost.

g) Use of Estimates

The preparation of financial statements in conformity with international financial reporting standards requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates and any adjustments that may be necessary would be reflected in the results of the year in which actual amounts are known. No estimates or judgments were made during the year ended 31 March 2014.

4. FIXED ASSETS

	<u>Furniture & Fixtures</u>	<u>Computers</u>	<u>Total</u>
	\$	\$	\$
At cost :			
1 April 2013	-	-	-
Additions	1,419,086	1,819,000	3,238,086
31 March 2014	1,419,086	1,819,000	3,238,086
Accumulated Depreciation:			
1 April 2013	-	-	-
Charge for the year	48,341	-	48,341
31 March 2014	48,341	-	48,341
NETBOOK VALUE			
31 March 2014	1,370,745	1,819,000	3,189,745
NETBOOK VALUE			
31 March 2013	-	-	-

5. TAXATION

The Commission is a not-for-profit organization and has applied to the Commissioner General of Tax Administration Jamaica (TAJ) under Section 12 (h) of the Income Tax Act for exemption from income tax.

6. CASH AND BANK

	<u>2014</u>	<u>2013</u>
	\$	\$
Sagicor Bank: Current Account	7,584,375	6,500,564
	7,584,375	6,500,564

7. PAYABLES

	<u>2014</u>	<u>2013</u>
	\$	\$
Payroll taxes	983,090	-
Creditor: installation of computers and office equipment	2,140,000	-
Other accruals	795,375	245,431
	3,918,465	245,431

8. ADMINISTRATIVE EXPENSES

	<u>2014</u>	<u>2013</u>
	<u>\$</u>	<u>\$</u>
Advertising for staff placement	166,039	-
Board members' fees	463,500	-
Licenses and other taxes	40,881	-
Depreciation	48,341	-
Telephone & internet	332,590	8,285
Entertainment	47,697	21,758
Audit fees	350,000	200,000
Repairs & maintenance	1,038,174	-
Travelling	44,100	-
Wages & salaries	4,136,136	-
Motor vehicle allowances	545,905	-
Rental	1,400,000	-
Printing & stationery supplies	89,997	15,388
	<u>8,703,360</u>	<u>245,431</u>

9. FINANCE CHARGES

	<u>2014</u>	<u>2013</u>
	<u>\$</u>	<u>\$</u>
Bank charges	6,714	745
	<u>6,714</u>	<u>745</u>

10. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Commission's activities expose it to a variety of financial risks in respect of its financial instruments: market risk (currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Commission seeks to manage these risks by close monitoring of each of its financial instruments as follows:

a) Market

(i) Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Commission is not exposed to this risk because all transactions are undertaken in Jamaican dollars.

10. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

a) Market (Continued)

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Commission manages this risk by maintaining interest earning assets with reputable financial institutions and procuring the most advantageous interest rates.

The Commission's policy is to invest excess cash in short term deposits and savings accounts with licensed financial institutions. Short term deposits are invested for periods of twelve (12) months or less at fixed interest rates and as such are not affected by fluctuations in market interest rates up to the dates of maturity. Interest rates on savings accounts are not fixed and are subject to change due to fluctuations in prevailing market interest rates. At the reporting date, there were no investments of excess cash.

b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Commission faces credit risks in respect of its cash at bank held with financial institutions.

Credit risk for cash at bank is managed by maintaining these balances with licensed financial institutions considered to be stable.

c) Liquidity Risk

Liquidity risk is the risk that the Commission will encounter difficulty in raising funds to meet its commitments associated with financial instruments.

The Commission manages its liquidity risk by maintaining an appropriate level of resources in liquid or near liquid form and GOJ providing budgetary support. At the statement of financial position date, current assets exceeded current liabilities by approximately \$6.2 Million.

10. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

d) Cash Flow Interest Rate Risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

The Commission faces exposure to cash flow interest rate risk in respect of its cash and bank balances that may fluctuate according to prevailing levels of market interest rates and as such may increase or decrease interest margin in the next financial year.

11. OPERATING EXPENSES

In the previous year ended 31 March 2013, the Commission operated from a rent free location and did not have any permanent staff. These facilities were provided by a Government of Jamaica (GOJ) organization. The Commission formally established its offices and employed staff within the financial year ended 31 March 2014.