



# **CASINO GAMING COMMISSION**

## **Annual Report – 2015/2016**

This document contains the CGC operations and financial performance for the Financial  
Year 2015-2016

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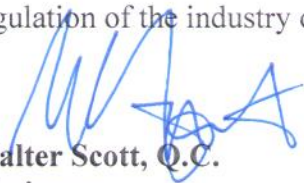
## **Chairman's Message**

The 2015-2016 year of operation of the Casino Gaming Commission "The Commission" realized the continued development of the Commission as a modern regulatory body with the capacity to deliver appropriate regulation of the nascent Casino Gaming Industry.

The Commission completed most of the work on all of the Regulations needed to regulate the Industry. Technical standards for the Gaming Machines to be used in the Industry were adopted. The Anti-money Laundering capacity and structure of the Commission was expanded culminating in promulgating of POCA/AML/DNFBP Guidance Notes.

Law Enforcement partnerships were established and the Investigations and Enforcement capacity of the Commission was enhanced. The development of the Casino Licence Application and Assessment Project ensures that whenever the first sets of Casino Applications are received the Commission will be in a position to move expeditiously on them. The major disappointments were that although Orders for Approved Integrated Resort Development has been made to two (2) Applicants, further progress has not been made in achieving the breaking of ground and the construction of the Resorts, and, the unexpected resignation of the CEO, Mr. Phillip Shelton. Mr. Shelton brought a great deal of knowledge and capacity to the organization and will be missed.

In the balance the Commission had a solid year and has laid the foundation for the effective regulation of the industry once it gets going.



**Walter Scott, Q.C.**  
**Chairman**  
**16 May 2016**

## **Chief Executive Officer's Message**

It has been an honour to serve as the Chief Executive Officer of the Jamaica Casino Gaming Commission and it is with regret that I have resigned to return to Australia. I fully support the Commission's commitment to establish the casino industry in accordance with international best practice. Performance of casinos in reputable gaming jurisdictions indicates that a successful internationally respected casino gaming industry depends on a sound, strong and stringent regulatory regime.

The past year has seen significant progress in establishing the regulatory framework for the monitoring and control of casinos in Jamaica which conform to international best practice. Drafting of the necessary regulations has continued and they provide the foundation for a robust regulatory framework.

Further, the Commission has determined to adopt the GLI Technical Standards for the manufacture and supply of gaming equipment for use in a casino. Adoption of the GLI Standards will have significant market/commercial advantages for the Jamaica casino operators without reducing the integrity of gaming threshold.

I proudly provide the following more detailed report of the Commission's activities for the period and thank the Commissioners, management and staff for their continued high level of commitment to the establishment and support of the Commission.



**Phillip Shelton**

**Chief Executive Officer**

## **Vision**

A fair, crime free and responsible casino gaming industry which provides community wide benefits to Jamaica.

## **Mission**

To protect Jamaica's interests by regulating the operation of a highly reputable and internationally respected casino gaming industry. This is to be achieved by operating with integrity and professionalism, by developing effective working relationships with and maintaining the confidence of all stakeholders while keeping abreast of industry developments in a highly competitive and dynamic environment.

## **Overview**

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

The Commission is expected to provide a strong regulatory regime to encourage a successful casino gaming industry.

The functions of the Commission shall be 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; and
  - (iv) Prevent money laundering and the financing of terrorist activities in relation to casino gaming;
- (e) Advise the Minister 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 this Act or any other enactment.-

The CGA was introduced in 2010, by which prospective casino operators may be licensed to operate in Jamaica subsequent to receiving an approval as an integrated resort developer (IRD). The decision to permit casino gaming is linked with the Government's plan to improve and expand the tourism industry by developing a number of large integrated resorts of which casinos would be a part.

The Commission's aim is to establish appropriate and effective working relationships with other licensing authorities in the wider gambling industry. In addition, the Commission will work

closely with other regulators and Government bodies to share information and, where appropriate, to take coordinated regulatory action. The Commission is a member of the International Association of Gaming Regulators (IAGR).

## **Policy Priorities**

The policy priority of the Commission over the reporting period has been to continue to establish and refine the framework for the regulation and control of casino gaming in Jamaica. This framework includes:

- a) Establishment of standards and approval of systems of control for, and administrative and accounting procedures in, casinos in order to ensure integrity and fairness in casino gaming;
- b) Conducting investigations into operations of casinos and the holders of specific offices;
- c) Instituting measures and controls to:
  - Protect the vulnerable
  - Limit opportunities for crime
  - Facilitate responsible casino gaming.

## **REPORT ON OPERATIONS**

### **Highlights of the year**

- Issue by the Minister of Integrated Resort Development Orders to Harmonisation Limited and Celebration Jamaica Development Limited including Exclusivity status;
- Approval and gazettal of:
  - The Casino Gaming (Applications Relating to Licences) Regulations 2015, and
  - The Casino Gaming (Annual Licence Fees for Casino Gaming Licences and Personal Licences) Regulations, 2015;
- Approval and publication of POCA/AML/DNFBP Guidance Notes;
  
- Establishment of Casino Licence Application and Assessment Project;
- Appointment of Chief Executive Officer and Director of Investigations and Enforcement;
- Partnerships were strengthened with local law enforcement organisations including Major Organised Crime and Anti-Corruption Agency and Financial Investigations Division, the Betting Gaming and Lotteries Commission, and the Ministry of Finance and Planning, for the conduct of fit and proper checks on persons wishing to be part of the casino gaming industry, and
- Director of Investigations and enforcement participated in casino specific training provided by the Casino Gaming Commission of New Jersey as well as the New Jersey Department of Investigation and Enforcement;

### **Objectives that link to MOFP's Strategic Objectives**

#### **1. Limiting opportunities for crime and terrorist financing related to casino gaming operations.**

##### **Approval of Integrated Resort Developments (IRDs)**

The MOFP continued the process of evaluating applications to be considered for the award of an Order as an Integrated Resort Development. The Commission, within its areas of responsibility, provided timely responses to queries and to provide advice as deemed appropriate.

The Minister having been satisfied that all the conditions for the issue of an IRD Order were met, recommended to Cabinet that consideration be given to the grant of an order declaring the proposed development of an IRD to Harmonisation Limited and Celebration Jamaica Development Limited in August 2015 and thereafter in October 2015, exclusivity status was granted to both approved IRDs.

## Casino Gaming Licence

The CGA provides for operation under a casino gaming licence or a temporary casino gaming licence.

A temporary casino gaming licence requires the Minister's authorization subsequent to his receipt of an application to the effect as required by Section 26 of the CGA. The Minister may, upon considering an application under this section, if he thinks fit and subject to such conditions as he may specify, issue an authorization to the Commission to consider an application for a temporary casino gaming licence from an approved developer or his nominee. The approved developer in respect of whom an authorization has been issued by the Minister, may then apply to the Commission for the grant of a temporary casino gaming licence.

If an authorization is issued, the Commission will be required to consider an application for a temporary casino gaming licence.

The Commission shall grant to the applicant, a casino gaming licence or a temporary casino gaming licence, if the Commission is satisfied that-

- (a) the applicant, and each associate of the applicant (hereinafter called an "associate"), is a fit and proper person to be concerned in or associated with the management or operation of a casino;
- (b) the proposed casino to which the application relates will be within an approved integrated resort development; and
- (c) the applicant, or any associate, has not been convicted of a specified offence.

In determining whether an applicant or any associate is a fit and proper person to be concerned in or associated with the management or operation of a casino, the Commission shall consider whether-

- (a) the applicant or the associate is of good repute, having regard to his character, honesty and integrity;
- (b) the applicant or the associate, as the case may be, is of sound and stable financial background;
- (c) the applicant has, or has arranged, a satisfactory ownership structure;
- (d) the applicant holds or is able to obtain-
  - (i) financial resources that are adequate to ensure the financial viability of the proposed casino; and
  - (ii) the services of persons who have sufficient experience in the operation of a casino;
- (e) the applicant has sufficient business ability to operate a successful casino;
- (f) the applicant or the associate, as the case may be, has any business association with any person, body or association who or which, in the opinion of the Commission, is not of good repute having regard to character, honesty and integrity or has undesirable or unsatisfactory financial resources;
- (g) each director, partner, trustee, executive officer, secretary and any other officer or person determined by the Commission to be associated or connected with the ownership, administration or management of the operations or business of the applicant is a suitable person to act in that capacity;



- (h) any person proposed to be engaged or appointed to manage or operate the casino is a suitable person to act in that capacity; and
- (i) any other matter that may be prescribed will be fulfilled.

The matters detailed above are consistent with all such investigations for applications for casino licenses worldwide and ensures Jamaica will maintain internationally accepted standards for casino licensing and be recognized accordingly.

No authorizations were issued by the Minister and so no applications for a temporary casino gaming licence were received by the Commission. Further, no applications for a casino gaming licence were received during the period in review.

## **Policy Recommendations**

The Commission provided the following policy recommendations during 2015/16.

### Problem Gambling Benchmarking Study

In preparation for casino gambling in Jamaica, the Commission came to the view that it is important research be undertaken to establish the current levels of problem gambling in Jamaica.

The research is critical since there is currently no established benchmark as it relates to the levels of problem gambling in Jamaica. While the Commission is aware that problem gambling is a worldwide phenomenon, it is a matter that needs to be addressed by putting measures in place to reduce its effects on the local community.

Conducting such a research agenda will ensure that problems faced by the current gambling outlets will be documented and recommendations made for mitigating the problems currently being experienced. It will provide the bench mark for future studies in mapping the impact of casinos, when they become operational, on problem gaming. This study will also provide information that will be useful and could benefit internal and external stakeholders, allowing them to make informed decisions with respect to their operations.

### Development of overarching gambling policy with particular reference to internet gaming

With the integrated resort development orders issued, Jamaica has made further progress towards the establishment of a casino industry in this country.

Casino gaming will be in competition with already established forms of gaming – gaming lounges, lotteries and wagering and betting. Competition from cruise liner casino gaming and internet gaming will also have an impact on the gambling industry in Jamaica.

The Commission expressed concern there is no overarching Government policy with respect to the on-going development and expansion of gambling activities and consistency of regulatory approach within Jamaica. Jamaica's international rating could be affected by the absence of a clear policy on gambling and its development and this could affect the country's ability to attract the desired investors, partners and visitors the gambling industry requires.

Accordingly, the Commission has requested an overarching gambling policy position for Jamaica be developed.

#### A submission to increase the number of gaming machines in gaming lounges

The Commission was invited to provide comments to the Ministry of Finance and Planning (MOFP) regarding a proposal to amend Section 46B(1)(a) of the Betting Gaming and Lotteries Act to allow for gaming lounge licensees to increase the number of seats in certain gaming lounges.

The Commission formed the opinion that the increase would not adversely affect the Commission's mandate and so had no objection to increasing the maximum number of seats under Section 46B(1)(a). However, the Commission agreed the restrictions relating to grandfathered gaming lounges in certain parishes should be maintained.

### **Legislation**

During the period under review, the Commission continued its undertaking of those legislative activities pertinent to the performance of its regulatory functions. The following were achieved:

- (1) Development of AML/CFT Guidance Notes,
- (2) Approval and drafting of Regulations,
- (3) Establishment MOUs with FID and JCF
- (4) Regular attendance at CFAFT/MEV meetings, forum and participation in the mutual evaluation of Jamaica.

### **Guidance Notes**

December 2014 saw the first draft of the Commission's POCA/AML/DNFBP Guidance Notes developed by the in-house team. The notes were reviewed and approved by the Legislative sub Committee, thereafter, they were submitted to MOFP for review and onward submission to the Ministry of National Security for execution. The Notes were signed by the Minister of National Security and subsequently published in the Jamaica Gazette on June 26, 2015. The notes are posted on the Commission's website.

### **Amendments to the Casino Gaming Act**

The Legislative Committee was active in the drafting and review of the draft Bill entitled "*An Act to amend the Casino Gaming Act.*" The draft Bill was reviewed, amended and approved by the Legislation Committee of the Cabinet on August 19, 2015. The draft bill was subsequently tabled in the Houses of Parliament.

## **Regulations**

A Consultant Legislative Drafter was engaged to prepare the other section 72 Regulations to accompany the CGA.

The Legislative Committee was very active in preparing and reviewing draft Regulations. Significant ground work was achieved during this period with the kind assistance of the United States Department of the Treasury Office of Technical Assistance (OTA) personnel who reviewed and made recommendations on the work done to date. All agreed OTA recommendations were incorporated. The following Regulations were approved and gazetted:

- a. The Casino Gaming (Applications Relating to Licences) Regulations 2015, and
- b. The Casino Gaming (Annual Licence Fees for Casino Gaming Licences and Personal Licences) Regulations, 2015.

Four other draft regulations have been drafted and are to be submitted to the MOFP then to the CPC for finalization before submission to Parliament for approval. These drafts include: Accounting, Internal Controls and Audit Regulations, Gaming Machines & Gaming Equipment Regulations, Exclusion and Self Exclusion Regulations and Powers and Duties of Inspectors and Authorized Persons Regulations.

## **Memoranda of Understanding (MOUs)**

MOUs were established with the Financial Investigation Division (FID) within the MOFP and the Jamaica Constabulary Force. The MOU with FID received the necessary Ministerial approval.

## **Caribbean Financial Action Task Force (CFATF)**

The Commission continued to be an active participant in CFATF/POCA meetings and forums. The Commission assisted in providing useful information on the casino gaming industry and communicated to CFATF that the Commission is established on the international standards and best practices established by the industry and intends to operate consistently with those standards. The Commission also participated in the Mutual Evaluation of Jamaica and has provided feedback on the findings.

## **Investigations and Enforcement**

The Commission continued to build capacity and establish working relationships through meetings and discussions with its parent ministry (MOFP), external agencies and organizations, particularly with the Jamaica Constabulary Force, the Major Organized Crime and Anti-Corruption Agency (MOCA), the Financial Investigations Division (FID) and the Betting Gaming and Lotteries Commission (BGLC).

In anticipation of an application from an Integrated Resort Developer for the granting of a casino gaming licence or a temporary casino licence the Commission undertook a number of key initiatives. A casino licence application requires a fit and proper investigation, as mandated by the Casino Gaming Act, to establish the suitability of the applicant to be granted such a licence. This due diligence and probity investigation includes integrity and financial investigations of the applicant.

As the Commission does not have the necessary skills and in-house expertise to undertake an investigation of this type and scope it determined the Commission would outsource this investigation to a consultant with international experience and investigative reach within the casino gaming industry. The process would be managed by staff of the Commission.

Accordingly, a Casino Licence Application Assessment Project (CLAAP) team has been established for the selection, monitoring and controlling of gaming research and professional services firm who will undertake background checks on prospective applicants to establish their suitability to operate casinos in Jamaica. The Project team comprises the CEO as Chairman; the Director of Investigations and Enforcement as Project Manager; and the General Counsel and Administrative Coordinator as members. The following are key deliverables to establish fit and proper criteria, and are detailed in the terms of reference for the investigative consultant:

- a. financial soundness;
- b. probity;
- c. operation experience;
- d. legality; and
- e. a demonstration of experience and capability.

To enhance the Project, a Probity Plan has been established to provide a framework to ensure the highest standards of probity and transparency are achieved and maintained throughout the Project. The Plan has been approved by the Board of Commissioners and has been provided to the MOFP for submission to Cabinet for further approval. The Plan details probity issues and the actions to be taken throughout the process to ensure:

- a. confidence is preserved in the assessment process;
- b. assessment decisions and processes are defensible;
- c. an assessment is conducted with integrity, objectivity and consistency;
- d. confidential information is kept secure;
- e. all actual, potential or perceived conflicts of interest are addressed and effectively managed;
- f. accountability is maintained; and
- g. the risk of legal challenges arising out of the assessment process because of a probity issue is minimized.

The CLAAP team has established a milestone matrix for the project and met on a regular basis to discuss new developments with respect to casino licence application. The Project Committee has developed and agreed upon the Terms of Reference (TOR) for the Project which reflect the legislative requirements for the approval of a casino licence application and will guide the work

of the Project. Discussions have been undertaken with officers of the MOPF with respect to the procurement of the services of an international consultant to ensure the Commission complies with all the Government of Jamaica Procurement Guidelines.

### **Standards for Gaming Equipment in Casinos**

The Commission has adopted the GLI Technical Standards for Gaming Equipment for use in casinos, and as required by the CGA consulted with the Bureau of Standards to seek their agreement to support the Commission's decision to adopt the GLI Standards.

The Commission determined to adopt already developed standards for gaming equipment, including gaming machines, from well-established gaming regulators and independent testing laboratories. The GLI standards recognised by gaming regulators worldwide but more importantly they have been adopted extensively in the Americas including - USA State and Tribal regulators (Massachusetts, Missouri, Connecticut), Canadian Provinces (British Columbia, Alberta, Nova Scotia) and the Caribbean Community (Bahamas, Virgin Island, Panama).

Adoption of the GLI standards will have significant market/commercial advantages for the Jamaica casino operators without reducing the integrity of gaming threshold from the Commission's perspective.

The Bureau of Standards has been undertaking the necessary steps for the adoption of the GLI standards as Jamaican National Standards for the Casino Industry.

### **International Cooperation**

The Commission has maintained its membership of the International Association of Gaming Regulators (IAGR) and also of significance is the ongoing support of the Casino Gaming Commission of New Jersey who gave permission to the Commission for the adoption/adaptation of their regulations for use in Jamaica and has continued to provide training opportunities for the management of the Commission.

Staff of the Commission play an active role as members of the IAGR Sub-Committees – Technical Standards, Communications, Governance and Multi-Jurisdiction Business Form, ensuring the Commission is seen as an international standard casino regulator.

### **International Conferences**

In August 2015 the CEO and Director of Investigations and Enforcement (DIE) attended the GLI Latin American and Caribbean Roundtable in Colombia. GLI is an internationally recognised service provider to the gaming industry, including gaming regulators.

This roundtable provided an opportunity for the CGC to be represented at a forum of regulators from our region and gain an understanding of the regulatory regimes in the region. The CEO

provided a presentation on AML/CFT and the steps taken by the Commission to institute proper regulatory controls in the casino industry in Jamaica.

The roundtable was the second largest gathering of regulators across the region and comprised representatives from Aruba, Argentina, the Bahamas, Bolivia, Chile, Curacao, Dominican Republic, Guatemala, Mexico, Panama, Paraguay, Puerto Rico, Trinidad and Tobago, Turks and Caicos and US Virgin Islands.

A common theme throughout the roundtable was that many of the jurisdictions had recently undertaken the process of adding more controls around an already established gambling industry. The new regulatory schemes are consistent with those operating in more established regulatory environments. The issues faced also were consistent in each jurisdiction and reaffirmed that such changes are not able to take place overnight.

The CEO attended the 2015 IAGR Conference in Lima, Peru, in October 2015. IAGR consists of representatives from gaming regulatory organizations throughout the world. The mission of IAGR is to advance the effectiveness and efficiency of gaming regulation by providing a forum in which gaming regulators from around the world can meet, exchange views and information, and discuss policy issues among themselves and with representatives of the international gaming industry; a means of fostering cooperation between gaming regulators in the performance of their official duties; and a central point of contact for inquiries from governments, gaming regulatory agencies and personnel, and representatives of the international gaming industry

The conference focused on challenges faced by regulators as they seek to improve the effectiveness and efficiency of gambling oversight. IAGR members representing gaming jurisdictions from throughout the world including those in North America, Europe, Asia-Oceania, Africa, Central America, Caribbean and South America were in attendance. Industry representatives also attended the conference.

Attendance at these conference provided an opportunity for all participants to interact, share experiences and to be exposed to industry best practices, while cognizant of the fact that no two markets are the same.

## **2. Compliance with the PBMA and FAA Acts, FID as well as MOFP circulars and applicable regulations**

### **Governance**

During 2015/16 the Board of Commissioners consisted of:

Walter Scott Q.C.	Chairman
Afeef Lazarus	Commissioner
Consuela Blake	Commissioner
Dennis Morrison	Commissioner

Joseph Matalon	Commissioner
Dr. the Hon. Vincent Lawrence, OJ	Commissioner
Senator Noel Sloley	Commissioner
Dr. Dennis Pyne	Commissioner

The Board provided oversight to the Commission and met monthly and in special sessions as required. During the period under review the Board met on 10 occasions. All statutory reporting requirements have been met including Monthly Cash Flow Requests, Monthly Financial Reports, Quarterly and Half-year Reports and Annual Reporting.

### **Board Decisions**

All Board Decisions are dispatched within 72 hours of the decisions being made to ensure the assigned activities are performed in reasonable time. The Board Decisions are used as a management tool to guide the operations of the organization in carrying out the various functions as required. They are incorporated with the Board Minutes.

### **Committees and Sub-Committees**

In order to improve the Board's effectiveness and strengthen corporate governance, specific functions and responsibilities are designated to the following committees and sub-committees, as appropriate:

- Audit Committee
- Finance Committee
- Legislative Committee
- Human Resources Committee
- Procurement Committee

The Committees met monthly or as necessary to address the issues as they arose. The Legislative Committee met most frequently and dealt with the drafting of the Section 72 Regulations and the Amendments to the CGA.

### **Audit Committee**

The Audit Committee assisted the Board of Commissioners in fulfilling its accountability for the efficient and effective performance for:

1. The integrity of the Commission's financial statements;
2. The Commission's compliance with legal and regulatory requirements;
3. The independent auditor's qualifications, independence and performance;
4. The internal controls and control environment, and
5. The performance of the Commission's internal audit function

The committee provided oversight of the internal and external audit functions of the Commission, in addition to performing its substantive role as the Audit Committee of the Commission. The duties of the Audit committee are as set out in section 9 of the Public Bodies Management Act and include:

- Advising the Board on the practices and procedures which will promote productivity and the quality and volume of service;
- Reviewing and advising the board on the financial statements that are to be included in the annual report of the Commission
- Reviewing and advising the board on the annual auditor's report

### **Finance Committee**

The Finance Committee coordinated the Board's financial oversight responsibilities and has oversight for the planning, development, implementation, monitoring, and evaluation of Commission's policies and programs for funding, financial management, facilities management, assets, risks, and insurance.

### **Legislative Committee**

The Legislative Committee has been established as a working committee of the Board in order to provide management oversight and guidance with respect to legislative matters with the amendments to the Act and the drafting of the necessary regulations being the primary matters considered to date.

### **Human Resources Committee**

The Human Resources Committee of the Casino Gaming Commission was established by the Board of Directors on the 22 January, 2015. This committee is a means by which the Board provided guidance on the human resources management of the Commission. Its primary responsibility includes reviewing, monitoring and making recommendations to the Board of Directors on the Commission's human resources strategy and policies.

### **Procurement Committee**

The Procurement Committee was established in accordance with the provisions of the GoJ Procurement Handbook. The main role of the committee is to conduct independent review and evaluation of purchasing documentation and to recommend the most appropriate supplier or service provider based on price, quality, stock availability, and such other relevant considerations. As per the Procurement Handbook, the Committee is required to review and endorse a recommendation for the award of contracts in excess of \$1,500,000.00 and below \$5,000,000.00.



There were no committee meetings as there were no contracts valued more than the minimum threshold of \$1,500,000.00.

**Board and Committee meetings held/attended**

	<b>Board (10)</b>	<b>Audit (3)</b>	<b>Finance (5)</b>	<b>Legislative (6)</b>	<b>Human Resources (4)</b>
<b>Mr. Scott</b>	Chair (9)				
<b>Mr. Lazarus</b>	Member (10)		Member (5)	Chair (6)	
<b>Dr. Lawrence</b>	Member (8)		Member (5)		
<b>Mr. Morrison</b>	Member (9)	Member (3)			Chair (4)
<b>Mr. Matalon</b>	Member (10)	Chair (3)			Member (4)
<b>Ms. Blake</b>	Member (3)		Member (0)		Member (0)
<b>Sen Sloley</b>	Member (6)				
<b>Dr. Pyne</b>	Member (10)	Member (3)	Chair (5)		

**Staffing**

Two significant senior management positions became effective at the beginning of the year, 1 April 2015.

The Commission welcomed Mr. Phillip Shelton a former casino and gaming regulator from Victoria, Australia as the Chief Executive Officer. Mr. Shelton has over 29 years’ experience as a casino and gaming regulator in several Australian jurisdictions and was the inaugural Chief Casino Inspector in Victoria. He played a significant role in the establishment of the regulatory regime for the establishment of Victoria’s only casino which has up to 500 gaming tables and up to 2500 gaming machines.

Lt. Col. Neath joined the Commission on 1 April 2015 and is responsible for planning, directing and controlling the day-to-day operations of the Investigations and Enforcement Department which provides investigative and intelligence gathering support to enable the Commission to effectively manage the Casino Gaming Industry in Jamaica.

Lt. Col. Neath holds an MSc Degree in National Security and Strategic Studies from the University of the West Indies. He was a distinguished member of the Jamaica Defence Force where he served in various management roles. His professional experience and areas of expertise include security, crisis management, regulatory compliance, operational management, and organizational design, and development.

He brings a wealth of knowledge and experience which will be invaluable in ensuring that Casino Operators adhere to the rules and regulations of the CGA.

### **Resignation of Chief Executive Officer**

During February 2016, the Chief Executive Officer, Mr. Shelton, tendered his resignation from the role effective from 22 April 2016. The Commission's view is that the replacement should be sourced from an already established and highly regarded international casino regulatory jurisdiction.

The Commission is committed to establishing the casino industry in accordance with international best practice. This is particularly important for a new jurisdiction such as Jamaica.

Effective undertaking of the Commission's functions requires a CEO with significant industry knowledge, expertise and skills as a highly competent and seasoned regulator. The CEO must be conversant with the nuances of the industry so that it continuously reflects and operates within the industry's best practices. The incumbent's knowledge and expertise will be used to develop and sustain the industry.

It is in the Commission's best interests to recruit a CEO from the international market. By so doing it is likely to attract those persons with the requisite skills, knowledge and expertise to guide the operational framework, establish best practices and build industry knowledge.

### **Accommodation**

The Commission currently occupies the 2<sup>nd</sup> floor of the Jamaica Racing Commission's Building in Winchester Road, which is adequate for the seven members currently on staff. The intention is to assume the 1<sup>st</sup> floor of the building once it becomes necessary to hire additional staff to provide for the opening of a casino or temporary casino, should that space be available at the time it is required.

## **Recruitment**

Several job descriptions have been submitted to the Ministry of Finance and Planning's Corporate Management Development Branch (CMDB) for approval and costing. These are for Chief Inspector, Chief Internal Auditor, Information Technology Officer, Inspector(s), Auditor and Para-Legal Secretary. The timing of the hiring of staff is completely dependent on the schedule provided by an applicant for a casino or temporary casino licence.

## **Training**

Training was high on the list of priorities for the year. The Director Investigations and Enforcement undertook a five day familiarization tour of the New Jersey Casino Gaming Commission and the New Jersey Department of Investigation and Enforcement in June 2015. During this visit he took the opportunity to tour a number of casinos to obtain an appreciation of the look and feel of casino operations.

As detailed previously in this report, the CEO and DIE attended the GLI Latin American and Caribbean Roundtable in Bogota, Colombia in August 2015 and the CEO attended the IAGR annual conference in Lima, Peru during November 2015.

Managers and staff of the Commission also attended and participated in the following training opportunities:

- Betting Gaming and Lotteries Gaming Summit.
- Jamaica Institute of Financial Services Cybercrime Seminar.
- Egmont Anti-Money Laundering/Counter Terrorism Financing Supervisory Course held at the Bank of Jamaica.
- Jamaica Bankers Association and Jamaica Institute of Financial Services Annual Anti-Money Laundering /Counter Financing of Terrorism Annual Conference.

## **Services**

The Commission's website <http://www.cgc.gov.jm> is maintained to provide up to date information regarding the Commission's role and activities. Of particular significance was the inclusion of the approved Regulations for Applications Relating to Licences, Annual Licence Fees for Gaming Licences and Personal Licences and The Proceeds of Crimes Act Anti-Money Laundering and Combating the Financing of Terrorism Guidelines for Casinos.

**Audit**

Messers. McKenley and Associates, Chartered Accountants, continued as the External Auditors to the Commission. The Commission completed its audit for the financial year 2014/15 during April 2015, which was within the timeframe to meet the July 31, 2015 deadline required by the PBMA, and the completed report was submitted to MOFP accordingly.

**Financial Statements – Audited Report**



**McKENLEY**  
**& ASSOCIATES**  
CHARTERED ACCOUNTANTS

**"Continuous Improvement and Innovation are our Duties....."**

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## **INDEPENDENT AUDITORS' REPORT**

To the Members of  
The Casino Gaming Commission

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

We have audited the accompanying financial statements of the Casino Gaming Commission which comprise the Commission's statement of financial position as of 31 March 2016 and the income statement and changes in reserves and cash flows 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.



CHARTERED ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

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 2016, 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 necessary required information.

Chartered Accountants  
21 June 2016  
Kingston, Jamaica




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	<u>Note</u>	<u>2016</u> \$	<u>2015</u> \$
<b>Revenue</b>			
Grant income	2(f)	69,416,749	36,365,000
Interest Income		6,602	2,899
Total operating revenue		<u>69,423,351</u>	<u>36,367,899</u>
<b>Operating expenses</b>			
Administrative	3	66,845,565	36,927,916
Finance	4	32,207	29,368
Total operating expenses		<u>66,877,772</u>	<u>36,957,284</u>
Surplus / (deficit) from operations		2,545,579	(589,385)
Taxation	5	-	-
Net surplus / (deficit) for the year		<u>2,545,579</u>	<u>(589,385)</u>

	<u>Note</u>	<u>2016</u> \$	<u>2015</u> \$
<b>Non- Current Assets</b>			
Property, plant and equipment	6	9,443,303	5,469,898
<b>Current assets</b>			
Receivables	7	381,487	1,159,152
Cash & bank	8	23,779	937,668
		405,266	2,096,820
<b>Total Assets</b>		<u>9,848,569</u>	<u>7,566,718</u>
<b>Equity and liability</b>			
General fund		9,039,976	6,494,397
<b>Current liability</b>			
Payables	9	808,593	1,072,321
<b>Total reserves and liability</b>		<u>9,848,569</u>	<u>7,566,718</u>

Approved for issue on behalf of the Commission on 21 June 2016, and signed on its behalf by:

  
 Chairman of the Board

  
 Commissioner

	<u>Note</u>	<u>2016</u>	<u>2015</u>
		\$	\$
<b>Cash flows from operating activities:</b>			
Surplus / (deficit) for the year		2,545,579	(589,385)
Depreciation	6	2,001,356	605,783
		<u>4,546,935</u>	<u>16,398</u>
<b>Adjustments :</b>			
<b>Increase/(decrease)</b>			
Receivables		777,665	(931,025)
Payables		(263,727)	(2,747,577)
		<u>513,938</u>	<u>(3,678,602)</u>
<b>Cash provided by/ (used in) operating activities</b>		<u>5,060,872</u>	<u>(3,662,204)</u>
<b>Investing Activity:</b>			
Purchase of fixed assets		(5,974,761)	(2,984,503)
<b>Cash used in investing activity</b>		<u>(5,974,761)</u>	<u>(2,984,503)</u>
<b>Decrease in cash balance</b>		(913,889)	(6,646,707)
<b>Cash balance - beginning of the year</b>		937,668	(7,584,375)
<b>Cash balance - end of the year</b>		<u>23,779</u>	<u>937,668</u>

	<u>Capital Grant</u>	<u>General Reserve</u>	<u>Total</u>
	\$	\$	\$
<b>Balance as at 1 April 2012</b>	-	-	-
Surplus for the year	-	6,255,570	6,255,570
<b>Balance as at 31 March 2013</b>	-	6,255,570	6,255,570
Surplus for the year	-	828,212	828,212
<b>Balance as at 31 March 2014</b>	-	7,083,782	7,083,782
Deficit for the year	-	(589,385)	(589,385)
<b>Balance as at 31 March 2015</b>	-	6,494,397	6,494,397
Surplus for the year	-	2,545,579	1,891,454
<b>Balance as at 31 March 2016</b>	-	9,039,976	9,039,976

## **1. IDENTIFICATION AND PRINCIPAL ACTIVITIES**

The Casino Gaming Commission (The Commission) was established under section 5 of the Casino Gaming Act 2010 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 Casino Gaming Commission (CGC) 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 secured funding for operations for the period under review 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. STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES:**

**a) Statement of compliance:**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board (IASB), and comply with the provisions of the Jamaican Companies Act.

**New, revised and amended standards and interpretations that became effective during the year and those issued but not yet effective.**

At the date of authorization of these financial statements, certain new, revised and amended standards and interpretations came into effect during the current financial year and others were issued but not yet effective. They include the following which did not have any significant impact on the CGC's financial statements:

- i. IFRS 13, Fair value Measurement
- ii. IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets.
- iii. IAS Related Party Disclosures
- iv. IAS 1, Presentation of financial statements
- v. Amendments to IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation,
- vi. Amendments to IAS 27, Equity Method in Separate Financial Statements,
- vii. Amendments to IFRS 10, Consolidated Financial Statements,
- viii. IFRS 12, Disclosure of Interest in Other Entities,
- ix. IFRS 15, Revenue from Contracts with Customers
- x. IFRS 9, Financial Instruments,
- xi. IFRS 16, leases

**(a) Basis of preparation and functional currency**

The financial statements are prepared on the historical cost basis and are presented in Jamaican dollars (\$) which is the functional currency of the company.

**(b) Going Concern**

The preparation of the financial statements in accordance with IFRS assumes that the Commission will continue in operation for the foreseeable future.

2. STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Use of Estimates and judgments

No estimates or judgments were made during the year ended 31 March 2016.

(d) 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%
Motor Vehicle	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.

**2. STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(e) Grants**

Budgetary support from the Ministry of Finance and Planning (MOFP) is considered as grants.

Advances from the Ministry of Finance and Planning (MOFP) are in lieu of approved budgetary allocations from Central Government for use in the establishment of the Commission. These approved allocated amounts are considered as grants.

During the year, no casino licences were issued and thus the Commission did not earn fees from prospective applicants.

**(f) Receivables**

Receivables are carried at historical cost.

**(g) 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.

**(h) Foreign currencies transactions**

There were no foreign currency transactions during the year.

**(i) Payables and accrued charges**

Payables and accrued charges are stated at cost.



**3. ADMINISTRATIVE EXPENSES**

	<u>2016</u>	<u>2015</u>
	\$	\$
Advertising for staff placement	-	624,358
Board members' fees	267,500	294,000
Licenses & other taxes	690,974	619,568
Depreciation	2,001,356	605,783
Insurance	1,226,652	656,145
Legal & consultancy fee	-	206,833
Training	1,110,066	1,654,630
Subscription	377,935	217,202
Postage & cable	101,640	90,158
Utilities	724,326	120,436
Relocation expense	519,994	1,030,314
Telephone, internet & communication	623,417	622,822
Entertainment & staff welfare	131,845	140,672
Audit fees	622,250	450,000
Computer & other repairs & maintenance	1,086,852	510,286
Travelling	5,525,432	3,571,010
Wages & salaries & payroll expenses	47,789,372	22,261,289
Rental of office space	3,600,000	2,700,000
Printing & stationery supplies	445,954	552,410
	<u>66,845,565</u>	<u>36,927,916</u>

**4. FINANCE CHARGES**

	<u>2016</u>	<u>2015</u>
	\$	\$
Bank charges	32,207	29,368
	<u>32,207</u>	<u>29,368</u>

**5. TAXATION**

No provision is made in these financials for taxation on surplus generated from operation of the Commission because the Casino Gaming Commission is funded by way of a subvention from the Government of Jamaica.

6. FIXED ASSETS

	<u>Motor vehicle</u>	<u>Furniture &amp; Fixtures</u>	<u>2016 Computers</u>	<u>Total</u>
	\$	\$	\$	\$
<b>At cost :</b>				
1 April 2015	-	2,741,489	3,382,533	6,124,022
Additions	5,670,900	303,861	-	5,974,761
31 March 2016	<u>5,670,900</u>	<u>3,045,350</u>	<u>3,382,533</u>	<u>12,098,783</u>
<b>Accumulated Depreciation:</b>				
1 April 2015	-	190,250	463,874	654,124
Charge for the year	1,039,665	285,184	676,507	2,001,356
31 March 2016	<u>1,039,665</u>	<u>475,434</u>	<u>1,140,381</u>	<u>2,655,480</u>
<b>NETBOOK VALUE</b>				
31 March 2016	<u>4,631,235</u>	<u>2,569,916</u>	<u>2,242,152</u>	<u>9,443,303</u>

	<u>Furniture &amp; Fixtures</u>	<u>2015 Computers</u>	<u>Total</u>
	\$	\$	\$
<b>At cost :</b>			
1 April 2014	1,419,086	1,720,433	3,139,519
Additions	1,322,403	1,662,100	2,984,503
31 March 2015	<u>2,741,489</u>	<u>3,382,533</u>	<u>6,124,022</u>
<b>Accumulated Depreciation:</b>			
1 April 2014	48,341	-	48,341
Charge for the year	141,909	463,874	605,783
31 March 2015	<u>190,250</u>	<u>463,874</u>	<u>654,124</u>
<b>NETBOOK VALUE</b>			
31 March 2015	<u>2,551,239</u>	<u>2,918,659</u>	<u>5,469,898</u>

7. RECEIVABLES

	<u>2016</u>	<u>2015</u>
	\$	\$
Receivables	-	6,000
Prepayments: deposits (rent and motor car)	381,487	1,153,152
	<u>381,487</u>	<u>1,159,152</u>

8. CASH AND BANK

	<u>2016</u>	<u>2015</u>
	\$	\$
Sagicor Bank: current account	23,779	937,668
	<u>23,779</u>	<u>937,668</u>

**9. PAYABLES**

	<u>2016</u>	<u>2015</u>
	\$	\$
Accruals	808,593	1,072,321
	<u>808,593</u>	<u>1,072,321</u>

**10. OPERATING SURPLUS/(DEFICIT) BEFORE TAXATION**

The following have been charged arriving at operating surplus/ (deficit):

	<u>2016</u>	<u>2015</u>
	\$	\$
Auditors remuneration	450,000	450,000
Commissioners' fees	267,500	294,000
Management remuneration	39,947,952	19,445,432

**11. 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 risk**

**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.

**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.

## 11. RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

### 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 endeavoring to maintain an appropriate level of resources in liquid or near liquid form along with GOJ providing budgetary support. At the statement of financial position date, current (liabilities)/assets exceeded current assets/(liabilities) by approximately \$(403,000), ( 2015-\$1.02 Million).

### 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.

**CASINO GAMING COMMISSION  
DIRECTORS COMPENSATION  
For Year Ended March 31, 2016**

Position of Director	Fees (\$)	Motor Vehicle Upkeep/Travelling or Value of Assignment of Motor Vehicle (\$)		Honoraria (\$)	All Other Compensation including Non-Cash Benefits as applicable (\$)	Total (\$)
CHAIRMAN	67,500					67,500
COMMISSIONER 1	12,000					12,000
COMMISSIONER 2	40,000					40,000
COMMISSIONER 3	32,000					32,000
COMMISSIONER 4	40,000					40,000
COMMISSIONER 5	40,000					40,000
COMMISSIONER 6	36,000					36,000
						0
						0
<b>Total</b>	<b>267,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>267,500</b>

Notes

**CASINO GAMING COMMISSION**  
**COMPENSATION FOR SENIOR EXECUTIVES**  
For Year Ended March 31, 2016

Position of Senior Executive	Salary	Gratuity or Performance Incentive	Travelling Allowance or Value of Assignment of Motor Vehicle	Pension or Other Retirement Benefits	Other Allowances	Non-Cash Benefits	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Chief Executive Officer	13,798,200	-	120,000		3,277,073		17,195,273
General Counsel	7,777,028	1,970,496	1,138,344				10,885,868
Director of Finance & Administration	4,148,253	1,974,227	1,138,344				7,260,824
Director of Investigations and Enforcement	3,467,643		1,138,344				4,605,987
<b>Total</b>	<b>29,191,124</b>	<b>3,944,723</b>	<b>3,535,032</b>	<b>0</b>	<b>3,277,073</b>	<b>0</b>	<b>39,947,952</b>

Notes:

All senior executives are covered by life insurance policies representing three times their basic salary. In addition all are members of a contributory health scheme.