

Annual Report and Financial Statements

# 2016



**ALDERNEY**

GAMBLING CONTROL COMMISSION



Office address: St Anne's House  
Queen Elizabeth II Street  
Alderney  
Channel Islands  
GY9 3TB

Telephone number: +44 (0)1481 825500

Facsimile number: +44 (0)1481 823978

General enquiries: Rowie Gaydon (Office Administrator)  
info@agcc.gg

Website address: [www.gamblingcontrol.org](http://www.gamblingcontrol.org)



# ALDERNEY

GAMBLING CONTROL COMMISSION

5 June, 2017

The Chairman  
Policy & Finance Committee  
States of Alderney  
PO Box 1001  
Alderney  
GY9 3AA

Dear Sir,

I have pleasure in presenting the Report of the Alderney Gambling Control Commission for the period 1 January to 31 December 2016.

Yours sincerely

**Lord Faulkner of Worcester**  
Chairman

# Contents

Mission Statement and Objectives	2
Chairman's Statement	3
Approach to Regulation	4
Anti-Money Laundering / Combating the Financing of Terrorism	6
Licensing and Compliance Activity	8
Technical Activity	13
Financial Statements	14
Statistics	25

## Mission Statement



To ensure and maintain the integrity of electronic gambling activities regulated by the Commission.

### Objectives

The primary objective is to protect and enhance the reputation of Alderney as a first tier regulatory jurisdiction by seeking to ensure that:

- All electronic gambling is conducted honestly and fairly and in compliance with good governance;
- The funding, management and operation of electronic gambling remains free from criminal influence;
- Electronic gambling is regulated and monitored so as to protect the interests of the young and the vulnerable

and without compromising this primary objective, to work with other agencies in the development of eGambling activities regulated by the Commission.

## Chairman's Statement

I am pleased to report another successful year's activities by the Alderney Gambling Control Commission, achieved at a time of political turmoil in the United Kingdom, elsewhere in Europe and in the United States of America. Whilst the events of 2016 have not passed Alderney and the Bailiwick of Guernsey by, the Commission has continued to hold a steady course delivering a valuable financial contribution to them both. The Commission looks forward to working with continuing and new members of the States of Alderney over the coming years, and to maintaining our close co-operation with Guernsey in its implementation of a digital business strategy.

Outwith the Bailiwick we enjoy an excellent and mutually valuable relationship with the United Kingdom Gambling Commission which delivers effective regulation in both our jurisdictions. This co-operation functions in many areas, not least in the fields of promoting social responsibility, combating match-fixing, and fighting against money laundering and the financing of terrorism. Within Europe I continue to serve as an elected board member of the Gambling Regulators European Forum (GREF).

It is through effective co-operation on a global level that the Commission seeks to spread the value of sound and effective gambling regulation. We are looking forward to working with operators in emerging markets to regulate them to the same high standard as all our licensees and certificate holders. We do so through our focus on a risk based approach which requires operators to have regard to every aspect of their business. The flagship of this policy remains the internal control system that must be in place before operations can commence. This provides the bedrock of sound practices and facilitates the Commission's monitoring and inspection process.

The coming years will see yet more changes. The United Kingdom has now given formal notice to the European Council of its intention to withdraw from the European Union. This in itself is not expected to impact significantly on the eGambling industry in the Bailiwick; however the implementation of the Fourth Money Laundering Directive and General Data Protection Regulation will impact on licensees who have operations in Europe and who will continue to do so after the UK's withdrawal from the European Union. The Commission is working with operators to ensure that they meet the demands placed upon them by these changes.

Turning finally to domestic issues, I offer my warmest thanks to Jorn Starck who has just completed – triumphantly – his first full year as our Executive Director, and to his hard-working and able colleagues in the Executive. I was delighted that the States accepted my recommendation that Dr Isabel Picornell should be reappointed for a third term as a Commissioner, and express my gratitude to her and to our fellow Commissioners, Jeremy Thompson and Christopher Moger for their dedication and support to me. I am proud to serve as the chairman of an organisation with so many good people in it.

**Lord Faulkner of Worcester**  
Chairman

## Approach to Regulation

The Commission's key objective is to provide a regulatory environment which offers robust, enlightened, active regulation while also being responsive to the needs of a changing industry. In this way, the Commission aims to protect players, to ensure the continuing high reputation of Alderney as a jurisdiction and to establish a regulatory environment which attracts operators who seek a comprehensive, pragmatic and well-respected regime supportive of operator needs. The controlled gambling environment engenders good business practice throughout the operator's organisation.

The dynamic nature of the eGambling industry means that the Commission frequently needs to review regulations and legislation. Where changes to the regulations or the legislative framework are required, the Commission will advise the States of Alderney's Policy and Finance Committee on the introduction or amendment of legislation.

### REGULATORY CHANGES

In 2016 there were no changes made to the regulatory framework governing eGambling in Alderney.

### WORKING WITH A GLOBAL INDUSTRY

The Commission is aware that developments in eGambling legislation elsewhere in the world may impact on the ability of Alderney licensees to access other markets and so expand and develop their businesses. The Commission is therefore in communication with regulators in various other jurisdictions so as to be kept informed on legislative developments. The Commission also makes use of specialist consultants to keep the Commission informed of relevant legislative proposals.

During the year the Executive Director worked towards developing more formalised working relationships with other regulators and government departments.



## Approach to Regulation (continued)

### REGULATORY AND LEGISLATIVE COOPERATION

The Commission liaises with other international regulatory bodies and can sometimes act as an advisor to regulators and law-making entities in other jurisdictions. In the past year, the Commission has worked with the British Gambling Commission as well as gaming regulatory bodies around the world in connection with probity, due diligence investigations and international best practice. The Commission also works closely with non-gaming regulators such as the Guernsey Financial Services Commission and Guernsey's Financial Intelligence Service.

Alderney has proven experience in establishing and maintaining a robust, business-friendly online gaming jurisdiction and plays an active role in international regulatory bodies such as the Gaming Regulators European Forum and the International Association of Gaming Regulators. The Commission also shares this expertise with others through participation in the major industry conferences.

During the course of the year, members of the Commission participated in various regulatory and industry conferences:

- In February members of the Commission and its staff attended the International Casino Exhibition in London and the Executive Director participated on a panel at the International Online Gaming conference.
- In March the Executive Director attended the iGaming Asia Conference in Macau.
- In April the Executive Director attended the iGaming Forum in Stockholm and the Global iGaming Summit & Expo in San Francisco.
- In May the Chairman and Executive Director attended the Gambling Regulators European Forum and International Association of Gaming Advisors conference, both in Malta.
- In July the Executive Director attended the World Gaming Executive Summit in Barcelona.
- In September the Executive Director attended the G2E conference and a Regulators Roundtable organised by the University of Nevada, Las Vegas, both in Las Vegas.
- In October the Executive Director participated in the East Meets West conference in Manila and International Association of Gaming Regulators Conference in Sydney. The Deputy Director of Licensing attended the European iGaming Expo in Berlin.
- In November the In-house Counsel attended the Law Society's AML/CFT symposium in London and two members of the Licensing and Investigations Directorate attended a course in Pre-licensing financial and background investigations at the University of Nevada, Las Vegas.
- In December the General Counsel attended the MONEYVAL Plenary Session in Strasbourg.



## Anti-Money Laundering/Combating the Financing of Terrorism



The Commission takes seriously all issues relating to anti-money laundering and combating the financing of terrorism. The Commission is keen to ensure that internationally agreed standards are maintained and that the anti-money laundering / combating the financing of terrorism (“AML/CFT”) framework for eGambling remains harmonised with other sectors in the Bailiwick.



## Anti-Money Laundering/Combating the Financing of Terrorism (continued)

The Commission follows closely the guidance of the Financial Action Task Force ("FATF"), an inter-governmental body whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing. In order to meet FATF objectives, organisations are required to maintain comprehensive statistics regarding the effectiveness and efficiency of systems for combating money laundering and terrorist financing. The Commission particularly notes and takes record of suspicious transaction reports by the Commission or its licensees and certificate holders, the details of onsite inspections, as well as any formal requests for assistance relating to AML/CFT issues. During the year 213 suspicious transaction reports were submitted by eGambling licensees and certificate holders and one being submitted by the Commission itself in respect of concerns it had about a licensee being the victim of a fraud.

The Commission continues to be involved in a number of initiatives aimed at raising awareness of these issues with licensees and the public. During 2016 these included briefing and training sessions for staff and licensees, as well as consultation with other regulatory bodies. The Commission's annual AML/CFT event remains popular with licensees. It covers thematic AML/CFT topics and features an external subject matter expert who facilitates discussion and debate on global AML/CFT, bribery and trafficking issues. In addition, the Commission is represented at meetings of the Bailiwick's AML/CFT working groups.

All active licensees are inspected within one year of the approved start of their live operations and annually thereafter. All inspections incorporate a careful examination of a licensee's AML/CFT procedures using a dedicated AML/CFT inspection template to ensure that they are robust. Each

inspection is preceded by a mystery shopping exercise testing the site from the perspective of a player. The on-site inspection will include reviews of player registration, payment systems, player due diligence and other controls used to prevent money laundering and to combat terrorist financing.

### THE COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL)

In 2010 the Bailiwick of Guernsey was the subject of an assessment of its AML/CFT regime and its compliance with the FATF Recommendations which was conducted by the International Monetary Fund ("IMF"). Following a request made by the United Kingdom, the Bailiwick of Guernsey (along with the other Crown Dependencies) joined MONEYVAL, a body of the Council of Europe, in 2012. Future assessments of the Bailiwick's AML/CFT regime will be undertaken by MONEYVAL. In 2013, MONEYVAL performed a Follow Up Review to examine progress made in relation to the implementation of the IMF's 2010 Core Recommendations. A further review took place in 2014 which was reported back to MONEYVAL at its 48th Plenary in Strasbourg in September, 2015. The findings of this were made public in January, 2016. MONEYVAL's findings that the Bailiwick's eGambling sector is highly compliant and that the Commission's regime is both effective and robust reflects our continuing commitment to meeting international standards and preventing money laundering and the funding of terrorism. The Commission is currently part of the Bailiwick wide working group tasked with implementing the new FATF recommendations and during 2016 participated in the work necessary for the Bailiwick to prepare its National Risk Assessment ("NRA"). Work on the Bailiwick's NRA is continuing into 2017.

## Licensing and Compliance Activity

It is a vital part of the Commission's licensing regime that holders of eGambling licences and associate certificates, as well as key individuals, are approved as being fit and proper. All applicants – organisations, their owners and key personnel - are therefore carefully and rigorously scrutinised to confirm that the individual or organisation applying for approval is likely to operate effectively and within both the spirit and the letter of the Commission's regulations.

After an application has been received, an initial investigation meeting will discuss in some detail the background to the application, the nature of the proposed eGambling activities and how the eGambling will be conducted. The discussion will also incorporate issues such as the financing, the individuals involved, and the software being used. This is to ensure that the Commission has a full and clear understanding of the proposition. The Licensing Directorate will then investigate each corporate and individual applicant looking at their business history and relevant experience, associated principals and business associates. The Commission may

outsource certain elements of the investigation to suitable third parties where geographical or language constraints make it difficult to obtain the necessary confirmation of an applicant's fitness and propriety.

A Category 1 eGambling licence allows the holder to organise and promote gambling with customers (effectively a B2C relationship). A Category 2 eGambling licence or Category 2 Associate Certificate effects the gambling transaction (effectively a B2B relationship). Core Service Associate Certificates are issued to those closely involved in eGambling but not undertaking the primary activity; holders might be software suppliers or providers of certain prescribed functions.

As at 31 December 2016, there were 42 registered licensees consisting of 9 Category 1 licence holders, 13 Category 2 licence holders and 20 holders of both Category 1 and 2 licences. There were 11 Category 2 Associate Certificates ("C2AC") in issue, 3 of which were approved in 2016. There were 4 new approved licensees.

Details of the licences and certificates issued are as follows:

### Category 1 eGambling Licences;

New Compton Limited  
VF2011 Limited  
Winners Operations Alderney Limited

### Category 2 Associate Certificates;

NYX Digital Gaming (Alderney) Limited  
Gamecode Limited  
Prosum Holdings S.a.r.l

### Category 2 eGambling Licences;

New Compton Limited  
Winners Operations Alderney Limited  
The Global Tote Limited



## Licensing and Compliance Activity (continued)

During 2016, 9 licensees allowed their licences to lapse and 3 Category 2 Associate Certificate holders allowed their certificates to lapse;

### Category 1 eGambling Licence;

Bonza Gaming GP Limited  
Betable Alderney Limited  
Fairplay Games Limited  
Gamecode Limited  
Unibet Alderney Limited

Whilst Gamecode allowed its Category 1 eGambling licence to lapse it still holds a Category 2 Associate Certificate.

### Category 2 eGambling Licence;

PKR BtoB Limited (Cat 1 retained)  
Playson (Alderney) Limited  
Argo Gaming Limited

### Core Services Associate certificates were issued to the following:

Push Gaming Limited  
Highlight Games Limited  
Kiron Interactive (PTY) Limited

Seven holders of Core Services Associate Certificates allowed their certificates to lapse. The number of Core Services Associate Certificates in issue at the end of the year was 32.

A complete list of licensees and certificate holders can be found on the Commission's website

**[www.gamblingcontrol.org](http://www.gamblingcontrol.org)**

Alongside licence applications, the Commission also approved 20 key individual applications. Key individuals are those who are deemed to be "in a position to control or exercise significant influence over the business operations conducted under an eGambling licence, whether or not within the corporate entity exercising the licence". In order to be approved, key individuals are subject to a rigorous probity investigation involving the examination of professional and personal histories, financial records, as well as appropriate checks through financial intelligence records.

### Category 1 & 2 eGambling Licence;

Aydogan Tourism and Leisure Limited

### Category 2 Associate Certificate;

Pari-Match Limited  
Daub Alderney Limited  
Entwine Technology PTE Limited

Whilst Daub allowed its Category 2 Associate Certificate to lapse it still holds Category 1 and 2 eGambling licences.



## Licensing and Compliance Activity (continued)

### HOSTING CERTIFICATES

Holders of eGambling licences are required to house their gambling equipment in approved premises. Where gambling equipment is housed in the Bailiwick of Guernsey, it must be accommodated by a company which holds a hosting certificate. The first hosting certificates were issued in 2006 to Cable & Wireless (now trading as Sure (Guernsey) Limited), Itex and Newtel (now trading as JT (Guernsey) Limited). Currently 11 hosting certificates have been issued, 1 of which was in 2016 to Calligo Limited.

Under the 2009 Regulations, foreign hosting premises used by an Alderney licensee must be approved, although they need not hold a hosting certificate. The Commission believes that this regulatory structure more adequately serves the operational needs of an increasingly multi-jurisdictional gaming industry.

### TEMPORARY LICENCES

A temporary licence allows a company to run eGambling operations from Alderney for a strictly limited period of time: no more than 30 days continuously or for an aggregate of 60 days in any six month period. This type of licence is designed to serve the needs of operators requiring short term use of Alderney based gambling equipment, whether for disaster recovery periods or perhaps for a period of transition from one location to another. One temporary licence was in place at the end of 2016.

### REGULATORY ACTIVITY – COMPLAINTS

The Commission has in place a complaints procedure to address player issues that have not been satisfactorily resolved by a licensee. During 2016, 40 complaints were received (2015, 742) and

dealt with by the Commission, a significant decrease on the previous year due to the United Kingdom implementing the European Union's Directive on consumer Alternative Dispute Resolution. As a result of this the Commission no longer processes complaints for players based within the United Kingdom at first instance.

Complaints arose for various reasons, including:

- claims of unfair, fixed or biased gaming;
- bet disputes;
- ID requirement concerns;
- technical malfunctions;
- poor customer service;
- unfair game rules, terms and conditions or bonus requirements;
- unfair account closures;
- balance withdrawal issues;
- problem gambling;
- voided bets.

No Commission Hearings took place in 2016.

The Commission aims to work closely with licensees on resolving issues related to customer complaints, and also liaises with relevant industry bodies.

### FURTHER APPROVAL

Following the Commission's approval of a licence, the licensee will then be required to obtain full approval of their gambling equipment and their internal control system ("ICS"). All gambling equipment – including random number generators and all relevant software and hardware - will be rigorously tested by an independent testing house to ensure compliance with the Commission's published technical standards. Four initial gambling equipment approvals were made in 2016.



## Licensing and Compliance Activity (continued)

An ICS is a system of administrative controls and procedures used by a licensee when operating eGambling. Each ICS should be designed to provide:

- administrative control;
- accounting and financial control;
- controls over the operation of customer accounts and player funds;
- safeguards in relation to the security of the licensee's systems;
- comprehensive and appropriate anti-money laundering procedures;
- procedures for identifying fraudulent, problem or underage gambling.

Five initial ICS approvals were made in 2016 of which three were full approvals and two were conditional.

### INSPECTIONS

It is an important element of the regulatory regime that active licensees are inspected on a regular basis to ensure that they are operating in full compliance with the Commission's regulations and guidelines, and that they adhere to the procedures set out in their internal control systems. Licensees can generally expect to be inspected once a year, however an inspection can be instigated at any time where the Commission has concerns regarding a licensee's ownership or operations.



The inspection team will closely examine a broad range of the licensee's operations, including:

- corporate structures, staffing and staff training;
- financial reporting;
- player registration, verification and associated banking procedures;
- anti-money laundering / combating financing of terrorism (AML/CFT) procedures;
- game fairness and player protection;
- security policies and procedures;
- operation of approved games and gaming equipment.

Following an inspection, a full report is prepared which will address any issues arising which need attention. Where serious issues arise, a further inspection or a formal sanction may be required.

During 2016, the compliance team carried out 45 inspections. In the main these demonstrated a high level of regulatory compliance by licensees and reaffirmed the importance of active operational controls.

### SPECIAL INVESTIGATIONS

The Commission has the power to conduct a special investigation of a licensee at any time. This may be deemed necessary to confirm or review a licensee's operation, or where there are concerns regarding operational issues. While some of these may be conducted by visiting the licensee's premises, they can also be carried out remotely. The findings from a special investigation may lead to a speedy resolution of any underlying causes for concern, or in some instances the issuance of further sanctions. One special investigation was instigated in 2016 and a special investigation which was commenced in 2014 concluded in 2016.



## Licensing and Compliance Activity (continued)

### SANCTIONS

The Commission has a range of sanctions at its disposal including financial penalties and, for the most serious regulatory breach, suspension or revocation of a licence or certificate. The Commission can also issue a “proposal to rectify” which can then be followed by a “direction to rectify” – in other words, instructions that the regulatory breach must be rectified within a specified time.

Where a breach of the regulations continues or becomes more serious, a regulatory hearing may be called as an opportunity for the licence or certificate holder to make representations and present their case to the Commission. There were no sanctions issued or regulatory hearings called during 2016.

### SEGREGATION OF PLAYER FUNDS

The implementation of the Alderney eGambling (Amendment) Regulations, 2012 impacted upon licensee financial reporting when it took full effect in 2013. Reporting requirements were revised to obtain information necessary to monitor compliance.

The amendment to the Regulations requires Category 1 eGambling licensees to segregate funds standing to the credit of customers in a separate bank account held solely for that purpose. In certain circumstances the licensee may be required to provide a binding guarantee from their parent company.

Licensees are required to submit quarterly financial reports and monthly operational reports covering matters such as player activity, suspicious transactions, reversed transactions, and manual adjustments to customer funds. These are closely reviewed by the Commission, with any potentially contentious issues being flagged for further consideration. Licensees are also required to carry out a fully independent financial audit each year and to submit their audited accounts to the Commission. This requirement provides general assurance that operators have sufficient resources to continue operations for at least three months, in addition to segregating all customer funds. The Commission must be satisfied that acceptable arrangements to satisfy this requirement are in place before the licensee can gain approval for full activation of their operations.

### TRAINING AND INFORMATION SESSIONS

In October 2016 an AML/CFT training and information session was held for licensees. This was the ninth such session organised by the Commission and is now a regular fixture in the Commission's calendar. Representatives from newly operational licensees are required to attend; representatives from all other licensees were invited to attend on a voluntary basis. The meeting was attended by 55 delegates from 35 licensees. The Commission welcomes the importance licensees place upon this subject.

## Technical Activity

One of the ways by which the Commission seeks to ensure that all eGambling is conducted fairly is by requiring full approval of each licensee's gambling equipment, both hardware and software. The licensee's gambling equipment including random number generators and all relevant software and hardware will be rigorously tested by an independent testing house to ensure operational worth and game fairness.

Following such approval, the Commission then aims to control any significant subsequent changes using an automated change control system which allows licensees to enter and upload relevant information using a secure online portal. This system stores detailed information on licensees' approved games and is easier for licensees to use. The greater clarity of the information processed also ensures a significant increase in operational efficiency. There were 6,932 new games and gambling equipment approvals processed in 2016 (2015, 5,444).

A Multi-Jurisdiction Testing Framework was formed in 2015 under the auspices of the International Association of Gambling Regulators Working Group with the Isle of Man, Denmark and the United Kingdom. Within this the Commission continues to work towards harmonising testing requirements. This increases the speed at which games can be approved for release as well as minimising costs and regulatory duplication.



# **Alderney Gambling Control Commission Financial Statements as at 31 December 2016**

## Statement of the Commission's Responsibilities

The Alderney Gambling Control Commission ('the Commission') acknowledges that it is responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Commission and of the profit or loss of the Commission for that period. In preparing those financial statements the Commission is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Commission will continue in business.

The Commission is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Commission. They are also responsible for safeguarding the assets of the Commission and hence for taking reasonable steps for the prevention and the detection of fraud and other irregularities.

The Commissioners are responsible for the maintenance and integrity of the corporate and financial information included on the Commission's website, and for the preparation and dissemination of financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The following persons served on the Commission during the year under review and up to the date of this report:

- Lord Richard Faulkner (Chairman);
- Mr Christopher Moger QC;
- Dr Isabel Picornell;
- Mr Jeremy Thompson

# Independent Auditor's Report to the Commissioners of Alderney Gambling Control Commission

We have audited the financial statements of Alderney Gambling Control Commission (the "Commission") for the year ended 31 December 2016 which comprise the Statement of Financial Position, Statement of Comprehensive Income and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the Commissioners, as a body, in accordance with our engagement letter dated 20 January 2015. Our audit work has been undertaken so that we might state to the Commissioners those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Commission and the Commissioners as a body, for our audit work, for this report, or for the opinions we have formed.

## RESPECTIVE RESPONSIBILITIES OF COMMISSIONERS AND AUDITOR

As explained more fully in the Statement of Commission's Responsibilities set out on page 15, the Commissioners are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Commissioners; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



## Independent Auditor's Report to the Commissioners of Alderney Gambling Control Commission (continued)

### OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements give a true and fair view of the state of the Commission's affairs as at 31 December 2016 and of its result for the year then ended in accordance with United Kingdom Accounting Standards.

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters, in our opinion:

- the Commission has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

**KPMG Channel Islands Limited**  
Chartered Accountants  
Guernsey

26 May 2017

## Statement of Financial Position as at 31 December 2016

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Computer, office equipment & furniture		32,183	46,449
Leasehold		183,744	209,811
Web hosting		63,315	70,286
	<b>3&amp;4</b>	279,242	326,546
<b>Current assets</b>			
Cash at bank and in hand	<b>5</b>	2,376,366	2,363,770
Prepayments		5,288	14,078
		2,381,654	2,377,848
<b>Creditors: amounts falling due within one year</b>	<b>6</b>	(722,748)	(801,157)
<b>Net current assets</b>		1,658,906	1,576,691
<b>Total assets less current liabilities</b>		1,938,148	1,903,237
<b>Capital and reserves</b>			
Retained surplus brought forward		1,903,237	2,178,126
Net (deficit)/surplus for the year		34,911	(274,889)
Retained surplus		1,938,148	1,903,237

*The notes on pages 20 to 24 are an integral part of these accounts.*

The financial statements on pages 18 to 24 were approved by Alderney Gambling Control Commission on 24 May 2017 and signed on its behalf by:



Lord Richard Faulkner  
Chairman

## Statement of Comprehensive Income for the year ended 31 December 2016

	Note	2016 £	2015 £
<b>Income</b>			
Licence fees	<b>3</b>	4,365,500	4,370,500
Fees charged to clients		525,821	461,132
Bank interest		5,972	7,448
		4,897,293	4,839,080
<b>Expenditure</b>			
Staff costs	<b>8</b>	1,803,338	1,828,208
Commissioners' fees	<b>7</b>	116,668	115,858
Premises, furniture and equipment		92,081	80,764
Web hosting		97,965	92,825
Consultancy		25,836	79,184
Conferences and general travel		137,990	126,034
Postage, stationery and telephone		35,773	34,127
Administrative expenses		171,149	138,090
Depreciation	<b>4</b>	104,586	153,017
		2,585,386	2,648,107
Funds transferred to the States of Alderney	<b>10</b>	2,276,996	2,465,862
<b>Total comprehensive income for the year</b>		34,911	(274,889)

All activities are derived from continuing activities. The Commission has no components of 'other comprehensive income'.

# Notes to the Financial Statements for the year ended 31 December 2016

## 1. Reporting Entity

The Alderney Gambling Control Commission (AGCC) is a regulatory body established in 2000 and governed by The Gambling (Alderney) Law, 1999. The principle activity of the Alderney Gambling Control Commission is to regulate eGambling activities in line with The Gambling (Alderney) Law, 1999, (the "Gambling law").

## 2. Basis of Preparation

These financial statements give a true and fair view and were prepared in accordance with Section 1A of Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in September 2015 and are in line with the Gambling law.

The income in the financial statements is collected by the Commission on behalf of the States of Alderney. After deduction of the expenses incurred and working capital required to fund the Commission the surplus is transferred to the States of Alderney.

The financial statements are prepared on the historical cost basis.

The financial statements are prepared in sterling which is the functional currency of the Commission. The Commission consider sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

## 3. Significant Accounting Policies

### Licence and certificate fees

Under the terms of The Alderney e-Gambling Ordinance, 2009, licences and certificates granted by the Commission are valid for an indefinite

period. A non-refundable licence or certificate fee is payable on issue of the licence or certificate and in advance of each anniversary of the issue of the licence or certificate. The licence and certificate fees are recognised in the Statement of Comprehensive Income on an annual basis on the anniversary on which the licence was granted.

### Fees charged to clients

Fees charged to clients are incurred on an accruals basis as services are delivered such as investigation/inspection. As at the year end, there are no outstanding fees (2015: £nil).

### Expenses

Expenses are accounted for on an accruals basis.

### Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price including transaction costs and trade discounts and rebates. It also includes costs directly attributable to bringing it to the location and condition necessary for it to operate as intended. The Commission assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the Statement of Comprehensive Income on a straight line basis over the estimated useful lives of each part of a tangible asset. The estimated useful lives are as follows:

• Furniture and equipment	4 years
• Computer hardware and operating systems	3 years
• Web hosting hardware and operating systems	3 years
• Leasehold refurbishment (2008)	10 years
• Leasehold refurbishment (2012)	11 years

## Notes to the Financial Statements for the year ended 31 December 2016 (continued)



The depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting in the pattern by which the AGCC expects to consume an asset's future economic benefits. The useful life of the refurbishment that took place in 2012 has been reviewed as the lease term was extended until March 2023. This has now been recalculated over 11 years and the change has been accounted for prospectively.

The basis for choosing the useful life of the leasehold is the length of the operating lease on the office premises.

### Judgements and Estimates

In preparing these financial statements, the Commission has made judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

#### a) Judgements

Leases entered into have been classified as operating leases due to the leases being for only a limited part of the properties useful economic life and do not transfer ownership or significant risk to the lessee.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognised prospectively.

### Financial instruments

#### a) Basic financial instruments

##### i) Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

##### ii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits and petty cash.

#### b) Derecognition

The Commission derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Commission neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the Statement of Comprehensive Income. Any interest in such transferred financial assets that is created or retained by the Commission is recognised as a separate asset or liability. The Commission derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.





## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

### 4. Fixed assets

	Equipment & Furniture £	Leasehold £	Web Hosting £	Total £
<b>Cost</b>				
At 1 January 2016	338,631	645,936	351,698	1,336,265
Additions	14,962	–	42,320	57,282
At 31 December 2016	<u>353,593</u>	<u>645,936</u>	<u>394,018</u>	<u>1,393,547</u>
<b>Depreciation</b>				
At 1 January 2016	292,182	436,125	281,412	1,009,719
Charge for year	29,228	26,067	49,291	104,586
At 31 December 2016	<u>321,410</u>	<u>462,192</u>	<u>330,703</u>	<u>1,114,305</u>
<b>Net book value</b>				
At 31 December 2016	<u>32,183</u>	<u>183,744</u>	<u>63,315</u>	<u>279,242</u>
At 31 December 2015	<u>46,449</u>	<u>209,811</u>	<u>70,286</u>	<u>362,546</u>

### 5. Cash at bank and in hand

	2016 £	2015 £
Cash at bank:		
Business reserve account	282,098	452,570
Applicant and Licensee deposit account	672,622	642,702
Treasury accounts	1,000,017	1,000,017
Current account	421,421	268,331
Petty cash	208	150
	<u>2,376,366</u>	<u>2,363,770</u>

The Commission employs the use of a NatWest credit card facility for £50,000. Any use of this facility is paid off in full on a monthly basis. There was no amount owed at the year end (2015:£nil).



## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

### 6. Creditors: amounts falling due within one year

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Refundable deposits	477,912	493,107
Creditors and accruals	244,836	308,050
	<u>722,748</u>	<u>801,157</u>

Refundable deposits are held against the costs of investigating applicants and inspecting licensees and may be refunded in whole or in part.

### 7. Commissioners' fees

In accordance with the Gambling Law, the States of Alderney ultimately meets the fees and expenses of the Commissioners, including the Chairman.

### 8. Staff costs

Included in the staff costs are pension contributions. A defined contributions pension scheme, together with life assurance cover, is provided for employees. The scheme is administered by Gower Limited in Guernsey and was started in May 2002. The scheme requires employees to contribute 6% of gross salary to the scheme and the Commission contributes a minimum 7.5% of gross salary to the scheme on the employees' behalf. The annual pension contribution of £162,459 (2015: £159,715) is included in staff costs. At the year-end there were no prepaid or outstanding contributions (2015: £nil).

During the year the average number of employees was 19 (2015: 20).

### 9. Operating lease

The Commission entered into a ten year operational lease on the office property in Alderney, commencing in April 2008. The property remains in the ownership of the States of Alderney.

The rental amounts for 2016 charged to the Income statement and included in premises, furniture and equipment expenditure were £47,490 (2015: £47,219).

The Commission is committed under the lease to make payments of £36,000 per year plus any RPI increase, subject to review in the fifth year, until the end of the lease (March 2023).

Non-cancellable operating lease rentals are payable as follows:

	<b>2016</b>	<b>2015</b>
Less than 1 year	£47,490	£47,219
Between 1 and 5 years	£237,450	£236,095
More than 5 years	£11,873	£59,363

Future minimum lease payments are based on the actual rental expense in the year. There will be additional costs for RPI increases.



## Notes to the Financial Statements for the year ended 31 December 2015 (continued)

### 10. Transfers to the States of Alderney

During 2016 the States of Alderney received transfers from the retained surplus of £2,276,996 (2015 - £2,465,862).

### 11. Guernsey Income Tax

The Commission is not subject to Guernsey Income Tax.

### 12. Subsequent events

The Commission concluded that there were no subsequent events that require disclosure in the financial statements.

## Statistics



	2016	2015	2014	2013	2012	2011
<b>Number of licensees</b>	57	54	53	52	57	51
<b>New licences issued</b>	Cat 1 3 Cat 2 3 C2AC 3 Total new 5	Cat 1 2 Cat 2 2 C2AC 3 Total new 7	Cat 1 8 Cat 2 8 C2AC 4 Total new 9	Cat 1 4 Cat 2 4 C2AC 1 Total new 6	Cat 1 10 Cat 2 10 FGAC 4 Total new 19	Cat 1 9 Cat 2 8 FGAC 5 Total new 15
<b>No. licence apps refused</b>	0	0	0	0	0	1
<b>ICS Initial approvals</b>	5	5	8	11	6	15
<b>Inspections</b>	38	39	51	45	38	30
<b>Licensee/Compliance staff ratio</b>	6:1	5:1	5:1	6:1	6:1	6:1
<b>Special investigations</b>	1	0	4	2	5	1
<b>Sanctions and AML/CFT remedial measures</b>	50	47	90	78	84	102
<b>Revocations</b>	0	0	1	0	0	3
<b>STR's copied</b>	213 in total 165 eCasino 48 eGambling	122 in total 77 eCasino 45 eGambling	87 in total 78 eCasino 9 eGambling	94 in total 81 eCasino 13 eGambling	38	15
<b>STR's submitted</b>	1	1	4	1	6 of which 3 were linked	2
<b>Training events</b>	1	1	1	1	1	1

### NOTE

Following the introduction of a new website in 2015 information regarding the composition of the Commission and staff at the Commission will be updated in real time.

Accordingly this information is no longer published in the Commission's annual report and financial statements. In addition a full list of licensees and certificate holders can be found on the Commission's website.

The Commission's website can be found at [www.gamblingcontrol.org](http://www.gamblingcontrol.org)

St Anne's House, Queen Elizabeth II Street  
Alderney, Channel Islands GY9 3TB  
Tel: +44 (0)1481 825500  
Fax: +44 (0)1481 823978  
Email: [info@agcc.gg](mailto:info@agcc.gg)  
Web: [www.gamblingcontrol.org](http://www.gamblingcontrol.org)