

The Jersey Gambling Commission



2011
Annual Report & Accounts

R.92/2012

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Chairman's Statement

I am delighted to introduce this, the first annual report of the Jersey Gambling Commission (JGC). Since being appointed in shadow form in July 2006, the JGC has been busy and it is worth reflecting briefly on this period. Using the data received from its three public consultations (broadening the industry, regulatory principles and harm reduction), the Commission has provided advice and guidance to the Minister regarding legislative reform, formed a Jersey Bookmaker's Liaison Group to prepare the industry for change and liaised with regulatory colleagues both in Jersey and further afield to ensure that the JGC would be known and respected on the international stage.

In 2007 the JGC assisted the Economic Development Department (EDD) with its research and policy formulation on internet gambling, culminating in the successful debate establishing the Internet Gambling (Disaster Recovery) (Jersey) Regulations 2008. These regulations allowed for the licensing of dedicated hosting providers and were the first genuine reform of the Island's gambling legislation for forty years. In March of last year these Regulations were amended to provide for a full e-gambling licensing regime. Legislative change also took place in other areas. In 2009, the States passed a significant amendment to the Gaming Machines Regulations and, in 2010, fees were raised for the first time in over ten years. This was an important step, reflecting the Minister's statement to the Assembly that the Commission would become self-funding over a period of years.

Royal Assent was granted to the Gambling Commission (Jersey) Law in 2010 and the JGC formally came into being as a statutory body on 3rd September 2010. As part of the transitional provisions, EDD staff who had worked on gambling regulatory matters were offered the choice of transferring full-time to the Commission and I am delighted to say that they all accepted, moving across to the Commission on 3rd October, but continuing to assist their colleagues in EDD until the end of that year. The Commission is now totally independent, with its own budget, staff and responsibilities. I would also like to give my formal thanks to Jenny Turner for all the hard work and commitment that she gave to the JGC while it operated in shadow form and wish her a pleasant and well deserved retirement.

A new Gambling (Jersey) Law was presented to the States and approved in July 2011 and now awaits Royal Assent. The JGC is working with the Law Draftsman to update the Regulations, which should be presented to the States later this year. If approved the new Law and Regulations will then be brought into force together under an Appointed Day Act. To that end, 2012/13 will be a period of great change, both for the Commission and the Island.

Change can sometimes be difficult to accept and get used to, but I look forward to a less bureaucratic regime and more targeted risk-based regulation as a consequence of what is a considered and pragmatic set of reforms. The JGC is well able to cope with a new regime and indeed welcomes it, but whatever happens, we will continue to regulate the industry according to the key licensing principles incorporated into the Commission Law and use our judgement and best endeavours to be firm but fair, open and accessible, realistic and proportionate.

Graham White, OBE
Chairman

The Commission's Developments

Legislative Developments

The JGC has been working with Economic Development and the Law Draftsman for several years on reform of the Island's gambling legislation. In March 2011 the States approved the Minister's Proposition 199, which amended the former Gambling (Remote Gambling Disaster Recovery) (Jersey) Regulations 2008. These amendments empower the Commission to accept applications for full e-gaming licences and undertake the required due diligence. Reaction to the new Regulation has been positive and the Commission is currently processing its first application under the new regime.

As part of the requirements of the Law, the Minister has a duty to direct by Order how the Commission should consult on Codes of Practice and more generally. The Minister made such an Order and it came into force 25th October 2011. The Commission recognises this move to a regime regulated by flexible and dynamic codes brings an important change in emphasis, from criminal liability for even the smallest breach, to the adoption of regulatory sanctions for administrative and minor breaches of licensing conditions. This is a positive step and reflects the view of the Commission that criminal sanction should be a last resort for what is a largely compliant industry.

The new Regulations required to bring the draft Gambling Law into force are also being produced, and this will be the final legislative change to modernise and update the current 1960s legislation.

The Commission undertook three public consultations on the future of gambling and has used the information gathered to form its recommendation to government, but it is the Minister, and not the Commission that ultimately decides on public policy. That said, the Minister has proposed and the Commission supports a set of legislation that makes allowances for different levels of regulatory oversight, that brings consistency and proportionality and which, as far as is possible, is not specific to one particular type of gambling. In this way the final set of legislation should be less likely to need regular minor modifications.

Relationship with Government and Partnership Agreement with the Economic Development Department

The Commission's relationship with the States is governed by a Partnership Agreement agreed between the Minister and the Board and signed in December 2010. The Agreement notes the role and objectives of the Commission and provides for up to three formal meetings per year between the Minister and his officials and the Board. Although the States approved a five-year transition for the JGC to financial self-sufficiency, the economic downturn and the resultant comprehensive spending review meant that funding was reassessed. The Minister thus provided the Commission with a grant in 2011 of £119,000 to cover staff costs and has also allowed the Commission Executive to maintain their former offices within the Department. This is of mutual benefit as it has reduced the operating expenditure of the Commission while allowing for continued cross-over of knowledge in the legacy areas previously managed by Commission staff.

The Department has provided the Commission with a grant of £38,600 for 2012. The Commission carries a cash surplus going forward, but this is deferred income for the following year. Unless there is a significant and on-going increase in licensing fees during the year, this level of grant will result in an operating deficit for 2012. This will be addressed as part of the formal meetings noted above. The current Partnership Agreement will lapse with the cessation of public funding in December 2012.

The Commission also acts as an adviser to the Minister and Jersey Government on gambling matters. Perhaps the most pressing issue of dialogue has been with regard to access to the UK remote gambling market, a process known colloquially as 'White Listing'. Although both the Isle of Man and Alderney were added to the UK White List at inception in 2007, Jersey had not then completed its legislative reviews and was unable to apply. The JGC has and will continue to work with the Jersey Government to redress this imbalance and ensure that the Island's regulatory regime is recognised for its equivalence with that expected by the UK and internationally.

Our Values

The JGC will work with diligence and integrity in line with its core principles. To that end we will:

- regulate in accordance with generally accepted international standards to prevent fraud and money laundering, and prevent gambling being permitted to be a source of crime;
- ensure products and services licensed by the Commission are verifiably fair to consumers of those services; and
- ensure licensees act responsibly and implement safeguards necessary to protect children and vulnerable people.

Our Strategic Aims

The JGC gears itself towards fulfilling five core aims:

- To protect consumers, the young and the vulnerable;
- To regulate fairly and responsibly in a manner proportionate to the sector;
- To recommend when gambling legislation needs updating and is kept fit for purpose;
- To advise Ministers and government on all matters relating to gambling and gambling regulation;
- To ensure that the Commission works to support government policy, defends the Island's reputation and the commitment to economic diversification.

The Board



GRAHAM WHITE

After 17 years as an Officer in the Army, Graham joined the Gaming Board for Great Britain in 1983. In 1996 he became Chief Inspector, a post he held until 2005. Graham was Co-chair of the Technical Working Group of European Regulators; Member of the Financial Fraud Information Network and the Joint Action Group on Organised Crime, and visiting lecturer to the Universities of Las Vegas and Salford on gaming legislation.

He is a past trustee of the Gordon Moody Association, an organisation that provides residential treatment for addicts and was Chairman of Responsible Play, (now Gambling Therapy). He is currently working with the Royal College of General Practitioners on a programme in how to recognise problem gamblers. In January 2006 Graham was appointed as Special Adviser on Gambling Regulation and asked to Chair the then shadow Board. Formally appointed by the States, Graham's term of office lasts until 2015.



PETER CRUICKSHANK

Peter joined the Westminster Bank in 1968, leaving in 1972 to join Kirkland Whittaker (CI) as a currency dealer becoming Chief Dealer in 1979. In 1984 he moved to establish CI Money Brokers Jersey & Guernsey, the first independent Jersey and Guernsey money broking business and which became the largest and most successful money broking group in the Channel Islands. Peter remained as Chairman of CI Money Brokers until 2001.

Between 1990 and 1992 Peter was Secretary of the London Sterling Brokers Association, representing the Association in dealings with the Bank of England Money Markets Division and he has also held a number of directorships. A Member of the States appointed Public Lotteries Board since 1977, Peter is also an accredited Jersey Heritage guide for offshore towers. Peter's appointment was confirmed by the States and lasts until 2015.



JEREMY ARNOLD

Jeremy has been a career accountant, working for Touche, Ross in Sydney and San Francisco before joining Arthur Andersen in London. He became a partner in 1974 and transferred to the Toronto Office in 1976 where he ran the audit practice for 13 years. His other work experience within the Firm has been in practice management, training and quality control. In 1989, he moved back to Europe to work in the Brussels Office until his retirement in 1994.

Since retirement, Jeremy has spent his time on projects, which has involved considerable time in the Middle East. He also has a number of non-executive directorships. Jeremy was appointed a shadow Commissioner by the Minister for Economic Development in 2006 and confirmed by the States in 2010. His term lasts until 2015.

The Executive



JASON LANE

Jason joined the Jersey civil service in 1999. Progressing from the Chief Ministers Department where he worked in the strategic and business planning team, Jason became Gambling Controller in 2001. As part of governmental reforms in 2003 that department became part of the newly formed Economic Development Department (EDD) and Jason took responsibility for most of the Department's regulatory functions as Director of Regulatory Services. Jason became Chief Executive of the Jersey Gambling Commission on its inception in 2010.

Jason has degrees in Politics, International Relations and a PhD in Policing. He is a Board Member of the Gaming Regulators European Forum (GREF), Co-Chair of the GREF working group on technical issues, an active participant in the IAGR e-gaming working group and a member of the International Masters of Gaming Law.



DAVID EVANS

David worked in intelligence units of the Occupational Pensions Regulator and Financial Services Authority before joining the Inspectorate of the Gaming Board for Great Britain (latterly the Gambling Commission) as Inspector (Intelligence & Operations) in 2001. David was the Money Laundering Reporting Officer for the Board/Commission; he also represented the Gaming Board on the Financial Fraud Information Network.

In 2006 he joined the Jersey Civil Service as Legal and Intelligence Manager within the Regulatory Services division of EDD. Joining the JGC at inception, he has responsibility for probity investigations on applicants for gambling licences, together with the production of guidance and Codes of Practice for the regulated sector. David has represented the JGC on the States of Jersey Anti-Money Laundering/Counter Terrorist Financing Strategy Group and is Secretary of the Social Responsibility Panel.



MARIO SETUBAL

Mario joined the then States of Jersey Computer Services Department in 1996 before moving in 1998 to Jersey Post as a systems developer. In 2000 he moved into the private sector, joining Kleinwort Benson Jersey as senior systems developer, a post he held until 2006. Joining EDD, Mario became Technical & Compliance Manager, working on a number of technical projects.

In 2010 Mario elected to transfer to the JGC and is currently updating and developing the Commission's technical standards, and relevant codes of practice, as well as overseeing regulatory compliance within the Island's bookmakers. He also maintains the Commission's web site and the Commission's IT infrastructure.

Approach to Regulation

The Commission will at all times be a proactive and responsive regulatory agency, acting reasonably in discharging its powers and ensuring compliance with its core responsibilities under the Law. The Commission will always seek to achieve non-intrusive and voluntary compliance with regulatory requirements in line with its duty under the Law to not impose unnecessary burdens. Licensees and applicants are therefore encouraged to volunteer matters that may be of interest to the regulator and will be assessed according to the level of voluntary compliance and the seriousness of the issue on a case by case basis.

The Commission recognizes that the industry is innovative and dynamic and consequently keeps an 'open door' approach with its licensees and with technical and other experts in the wider industry to ensure that the JGC is at the forefront in its capacity to deal with and accommodate change. As part of this process, the Executive will liaise with allied regulators, both in the Island and overseas in order to ensure that Jersey helps to develop international best practice in gambling regulation and, importantly, with regard to social responsibility.

The need to ensure that Jersey is seen as a good neighbour and is cognizant of the small but important impact of addiction on players is one taken most seriously. The Commission has established a Social Responsibility Panel and a specialized Fund exists to which all licensees are invited to contribute. Jersey has a statutory levy that can be mandatorily applied in the event that the needs of the Fund are not met by donation.

In line with its belief that communication should be open and proactive, a Jersey Bookmakers Liaison Group has been established. All licensed bookmakers are members by virtue of their licence and meetings are held biannually or by request. The Commission believes that this arrangement has been extremely positive and worthwhile and would welcome a similar group for other sectors.

As the likelihood of further legislative change draws near, the Commission would like to put on record its preference for a risk-based approach to licensing and regulation. This needs to apply across all sectors, but should be particularly beneficial for the non-commercial sector. The current level of detail required for the majority of the charitable and social sector is burdensome and unnecessary, while the parameters of operation are likewise too broad to cover arrangements ranging from a 20p per ticket raffle to lotteries generating hundreds of thousands of pounds. The Commission thus expects to reduce bureaucracy and costs for small-scale social events, but wishes to see enhanced risk-based regulation for commercial operations.

Anti Money Laundering /Combating the Financing of Terrorism

Terrestrial Commercial Industry

In 2008 the then shadow Gambling Commission in collaboration with the Joint Financial Crimes Unit presented to the Jersey Bookmakers Liaison Group the Anti-Money Laundering Code of Conduct for Licensed Betting Offices. The Code was voluntarily adopted and is still in place, however it does require revision to reflect the statutory establishment of the JGC.

The Commission will also progress discussions with the officials from the Joint Financial Crimes Unit in regard to securing Enhanced Due Diligence for key individuals involved with e-gaming applications particularly, but also more widely when the new Gambling Law comes into force. The Unit believes that it is possible to undertake broader search criteria for those identified persons, but a process and scale of cost is yet to be determined.

E-gaming

As well as the detailed requirements of the Jersey Gambling Commission Law and remote gambling regulations, e-gambling operators are also subject to other legislation. In line with Financial Action Task Force recommendations and compliance prior to the IMF review of Jersey's regulatory standards in October / November 2008, the business of operating an online casino was included within the Money Laundering (Jersey) Order 2008.

Identification measures apply where a person carries on the business of operating an online casino, and they must register under the Supervisory Bodies (Jersey) Law 2008 and pass a fit and proper assessment. Unlike many jurisdictions, AML/CFT requirements apply to any activity conducted by a company that is incorporated in Jersey and which conducts activities anywhere in the world.

Subject to future amendment of the Order, the JFSC is the current designated supervisory body for the business of operating a casino¹, but it is likely this function will be transferred to the JGC in due course. In the meantime, the JGC will work with the JFSC to devise and implement guidance in respect of duties and compliance criteria for e-gaming firms.

¹ The Jersey Gambling Commission did not exist in law when the MLO was passed.

Licensing and Regulatory Activity

The Commission licences and regulates three main areas:

- Terrestrial Commercial Gambling
- Remote Commercial Gambling; and
- Charitable, Club and Social Gambling.

The terrestrial commercial industry is made up of 29 licensed bookmakers, credit betting, on-course bookmaking, together with ancillary licensed products such as server-based gaming machines. There are also commercial licences available for operating an arcade although currently none are in operation. The procedure for licensing these businesses has been inherited by the Commission from the now disbanded Gambling Licensing Assembly and regulation and procedure is governed by various regulations, most of which date back to 1965. The Commission believes that the bureaucracy and procedure needed to licence new business should be substantially revised and simplified, but cannot do so until such time as the Gambling (Licensing Provisions)(Jersey) Regulations 1965 are repealed and replaced with a set of fit for purpose modern provisions. The Commission has been liaising with the industry to ensure that as far as is practicable, new arrangements are put to the States Assembly for debate during the latter part of 2012.

Remote gambling remains a new sector, albeit disaster recovery provisions have existed since 2008. Currently there are two licensed data centres and the Commission is considering the first application for an operator's licence. Development of the sector will rest in large measure upon changes in the licensing and regulation of remote gambling across the EU and in the UK particularly.

Although concentrating on the amendments necessary to bring the new Law into effect, the charitable, club and social sector ironically present some of the greatest challenges within the current regime. Prior to transfer to the Commission, the Department had half a post dedicated to this sector, largely because of the volume of work and the relatively inefficient system that it was forced to maintain because of the framework of the 1960s legislation. The Commission has inherited this framework, but not the post, as the postholder retired before the transfer date. For that reason the Commission has had to consider what represents the best use of its resources.

With an Executive of three, a demanding legislative programme, the implementation of a new licensing process and the other administrative changes needed in the formation and good stewardship of the Commission, the decision was taken that less resource had to be given to this sector. The justification is clear and needed to be managed proportionately in terms of risk. Registrations and permits that would have been processed in 1-2 days may now take up to a week, occasionally longer because of illness, leave or other business. The Commission hopes that its suggestions for simplifying the regulation of this sector and balancing fees against the level of regulatory oversight required will mean that in the longer term this sector will have a freer hand to raise money for good causes and substantially less bureaucracy.

Inter-regulatory contact is also an important role of the Commission. In May 2011 the JGC hosted the annual conference of the Gaming Regulators European Forum and has consequently initiated discussions with a number of gambling regulators in other jurisdictions and is developing a programme of co-operation as appropriate.

The Social Responsibility Panel

The Panel was constituted by the Commission in January 2011, when it appointed Advocate Brambilla as Chair and both Dr Tracy Wade and Ms Andrea Macqueen as Panel Members, David Evans is Secretary to the Panel. The Panel is purely voluntary and is responsible for setting guidance and overseeing policies and progress on the Commission's social responsibility functions. It also offers advice to the Commission and Chief Executive on these matters.

Objectives

The objectives of the Panel are to:

- Recommend to the Commission a strategy towards social responsibility related issues and to monitor relevant external developments making recommendations to the Commission as appropriate;
- Create and maintain the Commission's social responsibility policy and to consider whether they continue to meet the social responsibility strategy and objectives and make recommendations to the Commission as appropriate,
- Review and monitor the Commission's social responsibility risk exposures and advise accordingly;
- Review the social responsibility content contained in the Commission's financial reports and report when appropriate to the Commission.

Reporting Procedures

The Chair of the Panel aims to meet with the Commission at least twice per year, informing the Board of the matters the Panel has reviewed and making recommendations when requested, or when considered appropriate.

Priorities

The Commission is cognisant of the timescales needed for the development of a credible strategy to mitigate the risks of problem gambling and accept that this will take a number of years to achieve. In the first year of existence, however, the Panel has:

- Updated the Bookmakers Code of Conduct for Responsible Gambling;
- Reviewed the need for a generic Self Exclusion Policy for the Island;
- Provided input into the E-Gaming Code of Practice for Responsible Gambling;
- Given feedback and support for the establishment and monitoring of the dedicated Jersey page of Responsible Play.

Industry Support

The Panel has been pleased with the support given by terrestrial licensees to its work and notes the vital role of the voluntary contributions paid by licensees into the Social Responsibility Fund. These monies have paid for the creation of the Jersey Gambling Therapy site (<http://www.gamblingtherapy.je>) as well as posters and flyers advising Jersey residents about how they can get help. While the level of support has been good, it has sadly not been universal, with two operators failing to contribute to this valuable work.

Financial Statements

Financial Commentary

The Commission was created by statute on the 3rd September 2010, and elected to adopt the calendar year as its financial year, with the first reporting date being 31st December 2011, a 16 month period.

Although originally designed to operate on a decreasing grant of £579,000 phased over five years, the need to rationalise States spending through the Comprehensive Spending Review led to the Minister reducing this to £157,600 over two years². The Commission is aiming, therefore, towards financial self-sufficiency from 2013 onwards.

As well as the Minister's grant, the Commission receives funds from commercial licence fees and charitable, social and club registrations and permits. Licences are all renewed on an annual basis, but some are collected in advance, notably the betting office and bookmaker's licences, which are renewed during the month of September for the following year.

The following Accounts provide an overview of the Commission's income and expenditure for 2011 and state of affairs at year-end. While moving forward into 2012 with a substantial cash position, it is important to recognise that the JGC does not finance its own separate offices, public liability insurance, or many other normal running costs. Had the Commission been liable for these ordinary costs then the financial status of the JGC going into 2012 would be very different. The Commission will naturally review its fees and charges on an annual basis and liaise with the industry accordingly.

² £119,000.00 in 2011 and £38,600.00 in 2012

Independent Auditor's Report to the Minister for Economic Development

We have audited the financial statements of the Jersey Gambling Commission (the "Commission") for the period ended 31 December 2011 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is United Kingdom Generally Accepted Accounting Principles.

This report is made solely to the Minister for Economic Development, in accordance with Article 18(4) of the Gambling Commission (Jersey) Law 2010. Our audit work has been undertaken so that we might state to the Minister for Economic Development, 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 Jersey Gambling Commission and the Minister for Economic Development, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Commissioners and independent auditors

As explained more fully in the Statement of Commissioners' Responsibilities set out overleaf, 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 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 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 Commission; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 and of its results for the period then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Principles.

Alistair Rothwell,
FCA for and on behalf of Bracken Rothwell Limited
Chartered Accountants
St Helier
Jersey

Statement of the Commission's Responsibilities

JERSEY GAMBLING COMMISSION STATEMENT OF COMMISSIONERS' RESPONSIBILITIES FOR THE 16 MONTH PERIOD TO 31 DECEMBER 2011

The Gambling Commission (Jersey) Law 2010 requires the Commissioners to prepare financial statements for each financial period. The financial statements are required to give a true and fair view of the state of affairs of the Commission and of the surplus or deficit of the Commission for that period. In preparing those financial statements the Commissioners should:

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

The Commissioners are responsible for keeping proper accounts and proper records in relation to the accounts. They are also responsible for safeguarding the assets of the Commission and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Income and Expenditure Accounts

For the 16 Month Period to 31 December 2011

| | <u>Notes</u> | |
|---|--------------|----------------------|
| Regulatory income | (2) | £ |
| Licence fees | | 396,138 |
| Social permits | | 14,110 |
| | | <u>410,248</u> |
| Operating expenditure | (2) | |
| Payroll | (3) | 375,018 |
| Conference and travel expenses | | 25,344 |
| Dues, subscriptions and software licences | | 17,175 |
| Postage, stationery and telephone | | 5,418 |
| Audit fees | | 4,000 |
| Computer and internet expenses | | 2,413 |
| Depreciation | | 2,362 |
| Professional fees | | 2,398 |
| Other expenses | | 175 |
| | | <u>(434,303)</u> |
| Operating deficit | | (24,055) |
| Other income | | |
| Grants | (2) | <u>119,000</u> |
| Surplus for the period | (7) | <u><u>94,945</u></u> |

All income for the period has been derived from continuing operations and there are no recognised gains and losses other than those shown above.

The accompanying accounting policies and notes form an integral part of these audited financial statements.

Balance Sheet as at 31 December 2011

| | <u>Notes</u> | <u>£</u> |
|---|--------------|------------------|
| Fixed Assets | | |
| Tangible fixed assets | (4) | <u>7,368</u> |
| Current Assets | | |
| Cash | | <u>237,014</u> |
| Creditors: amounts falling due within one year | | |
| Licence fees received in advance | | 140,500 |
| Trade creditors | | 3,081 |
| Other creditors and accruals | (5) | <u>5,856</u> |
| | | <u>(149,437)</u> |
| Net Current Assets | | <u>87,577</u> |
| Net Assets | | <u>94,945</u> |
| Represented by: | | |
| Accumulated reserve | (6) | <u>94,945</u> |

The financial statements were approved and authorised for issue by the Jersey Gambling Commission on 25th May 2012 and signed on its behalf by:

Chief Executive



Dr Jason Lane

The accompanying accounting policies and notes form an integral part of these audited financial statements.

Cash Flow Statement

For the 16 Month Period to 31 December 2011

| | £ |
|---|-----------------------|
| Reconciliation of operating deficit to net cash inflows from operations: | |
| Operating deficit for the period | (24,055) |
| License fees received in advance | 140,500 |
| Depreciation | 2,362 |
| Increase in creditors | 8,937 |
| Net cash inflow from operating activities | <u>127,744</u> |
| Grants and fixed assets: | |
| Grants received | 119,000 |
| Payments to acquire fixed assets | <u>(9,730)</u> |
| Net cash flows from grants and fixed assets | 109,270 |
| Increase in cash, being funds at 31 December 2011 | <u><u>237,014</u></u> |

The accompanying accounting policies and notes form an integral part of these audited financial statements.

Notes to the Financial Statements

For the 16 Month Period to 31 December 2011

1 GENERAL INFORMATION

The Jersey Gambling Commission ("the Commission") was created by the Gambling Commission (Jersey) Law 2010 which came into force on 3 September 2010 and is responsible for the licencing, registration and regulation of gambling in the Island of Jersey.

2 ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Principles and the Gambling Commission (Jersey) Law 2010.

(b) Going concern assumption

The results for the period show that the Commission is in a positive cash position, has a positive net asset value and has made a surplus for the period. However, the Commission is dependent, in the absence of sufficient regulatory income, on the continual annual support of the Department for Economic Development. The Commissioners consider that the use of the going concern basis is appropriate for the current period and for 12 months from the date of signing of these accounts.

(c) Income

Licence fees

Under the terms of the Gambling (Jersey) Law 1964 and subordinate legislation, licences granted by the Commission are valid for a year. A non-refundable licence fee is payable on issue of the licence and in advance of each anniversary of the issue of the licence. The licence fees are recognised in the Income and Expenditure Account over the period of each licence and included in deferred revenue if related to the post year-end period.

Social permits

Income from these permits is recognised on an accruals basis.

(d) Grants

These grants provided by the Economic Development Department are for a two year period only (2011 - £119,000, 2012 - £38,600). The grants are non-refundable unless the Commission ceases to comply with the conditions set out in paragraph 7 of the Partnership Agreement. The grants are recognised on an accruals basis.

(e) Expenses

Expenses are accounted for on an accruals basis.

(f) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided from the month of acquisition on all tangible fixed assets at rates calculated to write down their cost on a straight line basis to their estimated residual values over their expected useful life, being 3 years for both computer equipment and website costs.

2 ACCOUNTING POLICIES (Continued)

(g) Cash

Cash in the balance sheet comprises of amounts held with HSBC.

(h) Pensions

Pension costs included in staff salaries represent the actual costs incurred during the year

(i) Taxation

In accordance with Article 17 of the Gambling Commission (Jersey) Law 2010, the income of the Commission is not liable to income tax under the Income Tax (Jersey) Law 1961.

3 PAYROLL

| | 16 months to 31 December 2011 |
|--------------------------|--|
| | £ |
| Staff salaries | 221,982 |
| Commissioners' fees | 96,000 |
| Pension contributions | 30,187 |
| Commissioners' expenses | 16,802 |
| Social security payments | 10,047 |
| | <u>375,018</u> |

Staff salaries

The average number of staff employed during the period was 3. For the period September to December 2010 the cost of these salaries was split equally between the Commission and the Economic Development Department as, at that time, these employees were working for both departments of the States of Jersey.

Commissioners' expenses

Commissioners' expenses are in respect of the Chairman's commuting costs from the UK and accommodation.

Pension contributions

Staff initially employed by the States of Jersey before 1 January 1999 are members of the Public Employees Contributory Retirement Scheme ("PECRS") which, whilst a final salary scheme, is not a conventional defined benefit scheme because the employer is not necessarily responsible for meeting any on-going deficit in the scheme. The assets are held separately from those of the States of Jersey. Contribution rates are determined by an independent qualified actuary so as to spread the costs of providing benefits over the members' expected service lives.

Because the Commission is unable to readily identify its share of the underlying assets and liabilities of PECRS, contributions to the scheme have been accounted for as if they are contributions to a defined contribution scheme at the rate of 13.6%. This rate is expected to continue to be payable during 2012.

Actuarial valuations are performed on a triennial basis, the most recent published valuation being as at 31 December 2007. The main purposes of the valuation are to review the operation of the scheme, to report on its financial condition, and to confirm the adequacy of the contributions to support the scheme benefits. Copies of the latest Annual Accounts of the scheme, and of the States of Jersey, may be obtained from the States Treasury, Cyril Le Marquand House, The Parade, St Helier, JE4 8UL.

4 TANGIBLE FIXED ASSETS

| | Website £ | Computer equipment £ | £ |
|------------------------|---------------------|----------------------------|---------------------|
| Cost | | | |
| Additions in period | 5,183 | 4,547 | 9,730 |
| Carried forward | <u>5,183</u> | <u>4,547</u> | <u>9,730</u> |
| Depreciation | | | |
| Charge for the period | 720 | 1,642 | 2,362 |
| Carried forward | <u>720</u> | <u>1,642</u> | <u>2,362</u> |
| Net book values | | | |
| At 31 December 2011 | <u><u>4,463</u></u> | <u><u>2,905</u></u> | <u><u>7,368</u></u> |

5 OTHER CREDITORS AND ACCRUALS

| | £ |
|-------------------------|--------------|
| HSBC Commercial Card | 356 |
| Audit fee accrual | 4,000 |
| Accountancy fee accrual | 1,500 |
| | <u>5,856</u> |

6 ACCUMULATED RESERVES

| | £ |
|--|----------------------|
| Surplus for the period, being accumulated reserves carried forward | <u><u>94,945</u></u> |

7 RELATED PARTY TRANSACTIONS

For the purposes of disclosure, the Economic Development Minister, and as a result, the States of Jersey (the "States"), are considered related parties.

The Commission incurs limited expenses apart from salaries, as the States provides a number of overheads such as accommodation, utilities, insurance and other office requirements. In addition, 50% of staff payroll costs were borne by the States between September and December 2010 (see note 3).

The Commission received grants from the States of £119,000 during the period (see note 2).

The Jersey Gambling Commission



The Jersey
Gambling Commission
4th Floor
Jubilee Wharf
St. Helier, JE1 1BB

+44 (0)1534 448 150
Email: info@jgc.je