

2016

Jersey Gambling Commission Annual Report and Accounts



CONTENTS

| | |
|---|----|
| Chairman’s Statement | 2 |
| Chief Executive’s Statement | 3 |
| The Board | 4 |
| The Executive | 5 |
| Licensing and Regulation | 6 |
| Approach to Regulation | 6 |
| Anti-Money Laundering/Combating the Financing of Terrorism | 8 |
| Social Responsibility | 9 |
| Financial Commentary | 10 |
| Audited Financial Statements | 11 |

Note: Please refer to separate contents page for Audited Financial Statements from page 13 onwards

Chairman's Statement

It is my pleasure to present this, the sixth Annual Report of the Jersey Gambling Commission and my first in the capacity of Chairman of the Commission. With the retirement of the first Board and the appointment of new Commissioners during 2015 and 2016, the Commission continues its process of mature development. The legacy of the original Board members is a Commission that is efficient and fit for purpose and I want to place on record my appreciation of their achievement in that respect.

I wish also to place on record the thanks of the Board to the executive officers of the Commission who, under the leadership of the Chief Executive, have provided not only the expertise but the administrative continuity which has allowed the Commission to move forward in the way it has.

The gambling industry remains dynamic and innovative internationally and Jersey is fortunate to have a number of highly successful local companies competing and growing in that market. There is of course a healthy tension between the needs of business for growth and return on investment, political objectives such as restraining population growth while promoting economic diversification and the Commission's role in regulating fairly at the same time as maintaining effectual safeguards in crucial areas like AML/CFT and the protection of the young and the vulnerable.

The Commission has consequently focussed on building its network of relationships, both externally with allied regulators and with businesses, and internally by meeting with members of the regulated community and with representatives of various sector groups that potentially interact with the gambling industry. Meetings and discussions have taken place with bankers, trust company professionals, lawyers, politicians, e-gaming interest groups and others in the consistent effort to achieve mutual understanding between the Commission as regulator and all those with a stake in the maintenance and development of the industry. The Commission will, therefore, continue to build its network of MoUs, extend its involvement in international regulatory associations and invest in training and career development for its executive.

Looking forward, I intend that the foundation built by the original Board should be enlarged and that, so far as is consistent with best regulatory standards, the numbers of licensees supervised by the Commission should be increased. This will be no small task given that the terrestrial bookmaking industry faces challenges, notably from the growth of e-gaming, and has shrunk in real terms, whilst what should have been the counterpart development of e-gaming business in Jersey has been slow. In the latter regard it is to be observed that unlike some others, the industry has not so far had available to it the engine of an official promotion and development function. This latter function is one that the Commission cannot fulfil. By statute it is a regulator and not a promoter. The Commission does, though, remain keenly aware that the initiative taken by the States of Jersey in modernising the legislative framework in 2010 and 2012 will not create a significant return unless the products now offered by Jersey-based licensees and other business providers are brought to the attention of the markets, which near and far continue to hold reputable opportunities for local growth.

I commend this report to the Minister of Economic Development, Tourism, Sport and Culture and respectfully request that it be forwarded for submission to the States.

Advocate Cyril Whelan
Chairman

Chief Executive's Statement

As I noted in last year's report, matching regulatory need to revenue remains the most challenging factor facing the Commission on an annual basis. The Commission takes considerable satisfaction from being able to finance its operating costs from licence fees and without any contribution from the taxpayer and inevitably there will be times when expenditure is greater than annual revenue. In 2016 the Commission saw a reduction in the size of the licensed betting estate with a resultant loss of revenue, albeit this was offset by an increase in licences within the remote gambling sector. The Commission has also invested in new offices to cater for an increased capacity as the remote sector develops and expands. The reported small deficit for the year thus reflects the proactive decision to invest in staff and premises and ensure that the Commission has the required tools, people and procedures in place to undertake its statutory duties.

After nearly eight years as a Board Member, the past four of which having been spent as Vice-Chair and Chair respectively, my tenure at the helm of the Gaming Regulator's European Forum (GREF) came to an end with the conclusion of the annual meeting held in St Julien's, Malta. GREF remains an important organisation for the JGC, providing a valuable resource of information and experience across the continent. The Commission continues to work within the Forum's various working groups, particularly its AML/CFT and e-gaming groups to ensure that the Island receives the benefit of shared knowledge, not least in respect of the different national approaches to application of the 4th Anti Money Laundering Directive and feedback on practical application of the same. This experience is vital to ensuring both that the Island's AML/CFT defences in the sector are fit for purpose, but also for benchmarking controls so that they are not disproportionately severe relative to the scale of the risk and hence adversely affect the industry.

Intra-regulatory discussions are not confined to GREF, however, as the Commission also deals on practical matters with a number of jurisdictions with which it shares licensees. By far the largest is the United Kingdom and in April of 2016 the Commission signed an MoU with the UK Gambling Commission to provide a structure for the exchange of information in this regard. Other international co-operation takes place through the International Association of Gaming Regulators (IAGR) and that organisation's working groups. Here again, AML/CFT features prominently and takes advantage of the synergies and significant cross-membership with GREF.

The Commission has also made a considerable effort at home, both to raise its profile, but more importantly to educate and advise. There are regular meetings with the Minister and his senior officials which is 'business as usual', but 2016 also saw briefings across a number of diverse industry bodies such as Jersey Finance Limited, the Jersey Bankers Association and the Jersey Association of Trust Companies. Of particular note was the work produced with officials from government, the JFSC and the Jersey E-Gaming Group to deliver a flow diagram explaining the various routes to licensing for different types of remote gambling companies. Presentations and meetings with the various Third Sector bodies is also an important contribution made by the Commission to assist what for many is a vital form of fund-raising and the Commission is always ready to help charities to successfully navigate the requirements of the Law.

Finally, I wish to place on record my appreciation of the work of the first Board members: Graham White OBE, Peter Cruickshank and Jeremy Arnold. Ours has been a significant journey over the past ten years, with a few bumps, but mostly characterised by success. Their legacy, as noted by the Chairman, is a Commission that is fit for purpose and doing the job it was created for. I wish them all well as they put their considerable talents towards new challenges.

Dr Jason Lane
Chief Executive

The Board



CYRIL WHELAN
CHAIRMAN



DEBBIE SEBIRE
COMMISSIONER



MATTHEW SWAN
COMMISSIONER

Called to the English bar in 1979 and to the Jersey bar in 1982, Advocate Whelan spent 28 years as senior legal adviser in the Law Officers' Department in Jersey. He was appointed to the office of Crown Advocate immediately upon the creation of that office in 1987 and remains the Island's longest serving Crown Advocate. He has served from time to time as Jersey's acting Attorney General. Advocate Whelan retired from the Law Officers' Department in 2007 and is currently a Senior Consultant at the local law firm Baker and Partners. Among other positions of public service, he acts as one of Jersey's relief Coroners. Advocate Whelan became a Commissioner of the Jersey Financial Services Commission on 1st June 2010, a Commissioner of the Jersey Gambling Commission since November 2015 and was appointed Chairman by the States from 1st October 2016 until the conclusion of his term in November 2019.

Ms Sebire is currently Deputy Chairman of the Jersey Police Complaints Authority and a non-executive director of Highvern Trustees Limited. From 2004 to 2012 Ms Sebire was the Director, Trust Company Business for the Jersey Financial Services Commission. Following the introduction of trust company regulation, this role involved establishing a practical framework to supervise trust companies in accordance with the newly introduced Laws, Orders and Codes of Practice. From 1991 to 2004 Ms Sebire worked as a Director of Citigroup's Jersey Trust Company, responsible at various times for running the Jersey Trust Company and a Mutual Fund Unit. Ms Sebire is an Associate of the Chartered Institute of Bankers and a Member of the Society of Trust and Estate Practitioners. Ms Sebire was appointed a Commissioner in November 2015.

Appointed to the Commission in January 2016, Advocate Swan is also currently a member of the Jersey Police Complaints Authority, an advisor for Citizens Advice Jersey and on the board of examiners for the Jersey bar examination. He was a partner at Ogier between 2001 and 2015, heading their European banking and finance group and acting as the managing partner of the Jersey law firm. He has been qualified as a lawyer in England and Wales, Jersey and Cayman. He has been listed as a leading individual for banking and finance in Chambers and Legal 500.

The Executive

The Commission Executive represents the JGC domestically and overseas, having membership of the International Association of Gaming Regulators and the Gaming Regulators European Forum. Both IAGR and GREF are important bodies, providing opportunities to increase regulatory co-operation and develop common standards.



JASON LANE
CHIEF EXECUTIVE



DAVID EVANS
DEPUTY CHIEF EXECUTIVE

Jason started his career as a gaming regulator in 2001 within the Jersey Civil Service. As part of governmental reforms in 2003 gambling became part of the newly formed Economic Development Department and Jason took responsibility for a wider set of regulatory functions as Director of Regulatory Services. Jason left the civil service and became Chief Executive of the independent Jersey Gambling Commission on its inception in 2010. Jason has degrees in Politics, International Studies and a PhD in Policing. He is a former Chairman of GREF (2014-16) an active participant in the IAGR e-gaming working group and a member of the International Masters of Gaming Law. In 2014 Jason was appointed by the Minister for Home Affairs as a founding Board Member of the Jersey Police Authority and became Deputy Chairman in 2015, where he has oversight of business and performance management, workforce management and succession planning within the States of Jersey Police.

David has worked for the UK Financial Services Authority and Pensions Regulator. In 2001 he joined the Gaming Board for Great Britain (latterly the Gambling Commission) as Inspector for Intelligence & Operations, he was also Money Laundering Reporting Officer for the Board. In 2006 he joined the Jersey Civil Service as Legal and Intelligence Manager for Regulatory Services and transferred to the Jersey Gambling Commission in 2010. As Deputy Chief Executive David has responsibility for probity investigations on applicants and the production of guidance and Codes of Practice. He is a member of the States of Jersey Financial Crime Strategy Group and the IAGR AML working group.

The Commission will continue to ensure that the number of staff is sufficient to provide prompt and efficient administration and processing of applications as well as effective regulatory supervision.

Licensing and Regulation

The Commission licences and regulates four main areas:

- Terrestrial Commercial Gambling;
- Remote Commercial Gambling;
- Ancillary (Gambling) Services;
- Charitable, Club and Social Gambling.

Articles 8 & 9: Gambling (Jersey) Law 2012

The Law is unambiguous; Article 8 states that it is an offence to provide a commercial gambling service from Jersey without a licence and the offence carries a maximum of 5 years imprisonment and an unlimited fine. Commercial gambling is where a gambling service is provided by at least one person by way of business, to at least one person who gambles as a customer (not by way of business). This is distinguished from an ancillary service, known as business to business or B2B where a gambling service is provided by way of business, but only to others who are also acting by way of a commercial gambling business.

Article 9 requires the Commission to consult on and publish its policies on what types of commercial gambling will be licensed, and what standard conditions will normally be imposed on licences for different types of commercial gambling. These statement and policy requirements also extend to gambling promotions of charities and societies with permissions defined under the Gambling (Charitable and Membership Gambling Services) (Jersey) Regulations 2012 and also those B2B arrangements outlined under the Gambling (Ancillary Services and Miscellaneous Provisions) (Jersey) Regulations 2012.

Approach to Regulation

The Commission applies a risk based approach to regulation, enabling it to prioritise its efforts and focus upon those sectors of the industry that have the greatest impact upon the Island. For that reason, the Commission considers the regulation of the commercial sector to be a higher priority than charitable and society gambling. The guiding principles governing our regulation are stated under Article 4 of the Commission Law. These principles state that we must ensure gambling services:

- should be conducted responsibly and with safeguards necessary to protect children and vulnerable people;
- should be regulated in accordance with generally accepted international standards to prevent fraud and money laundering, and should not be permitted to be a source of crime; and
- should be verifiably fair to consumers of those services.

Applying these principles to practice, a sound working relationship with the regulated sector is of the utmost importance. Self-reporting is a product of this relationship and bolsters trust between the regulator and regulated. While regular inspections and spot-checks are undertaken to verify compliance, it is the duty of a licensee to draw the attention of the Commission to an issue and take steps to resolve it. While a regulatory sanction may be appropriate depending upon the nature and scale of the breach, non-reporting immediately threatens a licence because of its clear breach of that trust previously mentioned. While self-reporting remains an appropriate means of lessening regulatory sanction and increasing compliance, it is vital that all licensees (and this extends to the

charitable sector) are confident they can approach the Commission knowing they will be treated fairly.

Regulatory Review 2016

Commercial

As of December 2016, the terrestrial industry in the Island is made up of 7 Class 1 Bookmakers (operating 93 gaming machines), 4 Class 2 (on course) Bookmakers, a Parimutual Operator (Jersey Race Club), 2 Crown and Anchor Operators (33 permissions granted), 29 Thrift Clubs, 3 Hosting Providers, a Gambling Software Provider and 2 Personal Gambling Licence Holders. There is also a seasonal 'amusement with prizes' licence awarded for the summer season (11 events) as well as 23 lower-stake gambling machines licensed to operate in pubs, clubs and restaurants and one higher-stake (Class 4) machine in a private members' club. Commercial enterprises have been able to apply for a Promotional Prize Lottery permit since 2015 and five were granted in the period.

All Licenced Betting Offices received a minimum of 1 Full Inspection, with a number receiving additional *ad hoc* or thematic inspections. No major issues were identified, with the majority of Licenced Betting Offices meeting the requisite standard on the first visit. All holders of Class 1 and Class 2 Bookmakers Licences are also required to complete and return to the Commission an annual Regulatory Return giving details of their gambling operations during the year.

Levels of Thrift Club activity vary year on year and given the part-time nature of these operations analysis of these returns reveal variations in record keeping and the amount of gambling conducted. Licensing costs for thrift clubs are judged according to the previous years' profits with those up to £5,000 attracting a fee of £25, profits up to £10,000 pay a £75 fee, while those with profits in excess of that level pay £150. The great majority of thrift clubs fall into the first category and therefore receive their regulatory oversight essentially for free, given that £20 of the fee pays for the criminal records check that is undertaken. Although thrift clubs remain at the lower end of the risk-scale for commercial gambling it is important that they adhere to the policy and licence conditions applied to them and importantly, do not attempt to incentivise non-members (who have likely not come to gamble) by offering odds other than equal chance.

Interest in the remote gambling sector continued, no doubt assisted by the positive endorsement of the regulatory regime stemming from the 2015 States' consultation. The Commission now supervises five remote licensees (two via temporary licences) and three permit holders (business to business or B2B providers). Work continues on converting the temporary licensees to full five-year licences as well as processing the various other requests for information received. One application for a B2B permit was suspended at the applicant's request due to changes in the corporate structure. The Commission believes that further development of the remote gambling sector can now be expected and will scale its resource accordingly. To that end, the Commission also attends meetings of the Jersey E-Gaming Group in an advisory capacity to answer questions and ensure that regulatory requirements are understood and kept under review.

Charitable

During 2016, the number of questions relating to the Charitable Gambling Policy led us to review the document and reproduce it in a way which was more readily intelligible to the layman. The original policy followed the format used for the governance of commercial gambling and this approach was too onerous for the intended audience, who are not professional gambling operators. The rules and requirements for charitable gambling were mostly unaltered, being all prescribed in the Law. However, certain requirements were removed after a consultation with members of the Association of Jersey Charities. The Commission is bound to review its policies annually and will revisit charitable permissions in 2017. Presentations to better inform decision-makers about charitable gambling

were made in the period and a revision to the advice offered through Citizens Advice was updated in November.

Anti-Money Laundering/Combating the Financing of Terrorism

On 5 February 2013, the European Commission (EC) published proposals for a Fourth Money Laundering Directive to update the European anti-money laundering (“AML”) and counter-terrorism financing framework. Devised in line with the revised international recommendations of the Financial Action Task Force, the proposals introduce key changes to the scope of AML gambling supervision, which currently concentrates on virtual and terrestrial casinos.

The main changes applied to gambling industry are:

- The Directive extends the scope beyond ‘casinos’ to cover ‘providers of gambling services’.
- The Directive introduces the necessity for Member States to carry out a risk assessment at national level; the EC will set minimum factors to be considered in these assessments.
- Member States to choose between enhanced or simplified due diligence; but without exception due diligence must be applied.

The duties mandated on the Supervisory Body by this AML revision mirror the licensing and regulatory responsibilities and powers defined in the Gambling Law, for example:

- Competent authorities must ensure that owners and persons directing the business are "fit and proper" to do so.
- Competent authorities will have enhanced supervisory powers, e.g. to conduct on-site inspections.

It is still too early to assess the level of impact that the Fourth Directive will have in Jersey on the terrestrial sector. The JGC Executive continues to work with colleagues in Jersey Government to assess the level of risk and the appropriate level of compliance, which should be balanced and proportionate. The Commission is not yet a Supervisory Body under Jersey Proceeds of Crime legislation, that role being undertaken by the Jersey Financial Services Commission. However, recent applications for Schedule 2 Registration have shown that there is a good working relationship between the two regulatory bodies and this will only deepen as the number of licensees increase.

With the exception of casino business (covered by Schedule 2 of the Proceeds of Crime (Supervisory Bodies) (Jersey) Law 2008 as noted above), all other commercial gambling is governed by the Commission’s licence conditions and Codes of Practice in respect of anti-money laundering procedures. Thus, the Commission is an active partner of the JFSC and shares common duties under law to protect the Island’s international reputation, to ensure its licensees are fit and proper and to apply anti-money laundering legislation.

Social Responsibility

One of the most important responsibilities of the Commission is the area of social responsibility. The Commission sees this as a key function. We have a duty under the terms of the law to: 'protect children and other vulnerable persons from addiction to gambling and from other forms of harm associated with gambling; make assistance available to persons who are or may be affected by problems related to excessive gambling; and to otherwise avoid and reduce problems related to gambling'.

Part of the data required from licensees is an annual return stating the numbers and changes in self-exclusions, that is, people who take the initiative to stop gambling and sign a statement with an operator noting their desire to stop gambling which the operator is contractually bound to honour. In the terrestrial bookmaking sector 136 self-exclusions were made across the total estate, almost unchanged (132) from the previous year. It is important to recognize that as Jersey has no national self-exclusion system, an individual has to self-exclude from each premises they wish to stop gambling in. The self-exclusions noted above therefore, are likely to represent a much smaller group of people who have elected to exclude from a number of different premises.

All licensees located in the Island must also pay into the dedicated Social Responsibility Fund, with remote licensees able to contribute to other funds recognizing their off-Island customer base. This is deemed a more equitable system than the former voluntary opt-in, and it has guaranteed the future of the fund. Accounting for the Social Responsibility Fund is governed by Article 10 of the Gambling Commission (Jersey) Law 2010 and these funds are kept separate from the main Commission accounts. The fund is used by way of research, education, information, prevention, treatment, counselling or other measures to support vulnerable people from addiction and other forms of harm associated with gambling. Specifically the Fund meets the costs of the www.gamblingtherapy.je website as well as published material distributed to public-facing licensees.

The Commission is working with stakeholders both within the States of Jersey and externally to assess other uses for the Fund and talks have taken place with the Health and Social Services department about ways in which we could work together to deliver better support for compulsive gamblers and better education to the wider community. It is hoped that new developments will be forthcoming, but they have to be evidenced and in response to a defined need. The Fund is invaluable, but it cannot be allowed to grow without a clear programme to deliver. To that end, the Commission will continue to monitor expenditure and other calls on the Fund and may reconsider the amount of industry contributions so that they more accurately reflect the level of need.

At the close of the year, there was £64,109 in the Fund, up from £48,581 in 2015.

Gambling Therapy

Since 2013, the Commission has utilised the Social Responsibility Fund to support Gambling Therapy (GT) and actively promoted the services offered via a dedicated Jersey webpage through posters and leaflets for this service. These are available at all Licenced Betting Offices and were also distributed to Parish Halls, Citizen's Advice Bureau and the Library. The Jersey site can be accessed via <http://www.gamblingtherapy.je/>. Feedback from Gambling Therapy indicates that it received 436 visits to the site from Jersey, representing a 12.37% increase from the previous 12 months, however, to the best of our knowledge, no-one from Jersey has actually utilised the on-line counselling service that it offers. This could be because the level of problem gambling in the Island is very low and, hopefully, that is indeed the case. The Commission cannot take this for granted however and will

continue to request evidence and assessment from Health and Social Services as well as the Third Sector for ways in which help can be brought to bear for those Islanders in need.

Financial Commentary

In keeping with its independent status and recognising the continuing pressure on public finances, the Commission adopted from its inception a policy of moving to full financial self-sufficiency. This was substantially achieved by 2013. Financial self-sufficiency is not just a process of balancing the books on a yearly basis, but involves being prepared to make investments of expenditure when needed in excess of income, so long as this is not structural or place the Commission at risk. As a regulatory body, the Commission must also be prepared to robustly defend its actions and have the resources available to meet foreseen challenges. Ultimately, in extremis, it would look to the States for support where an issue could not be forecast, but in general terms the policy of the Commission is to build a reserve capable of meeting its obligations moving forward.

The Commission receives the majority of its funds from commercial licence fees. Reflecting the policy decision inherent in the Law, fees and charges for the charitable, social and club sector were markedly reduced from 2013 onwards. There is no public funding.

The following Accounts provide an overview of the Commission's income and expenditure for 2016 under FRS 102.

As noted in the Chief Executive's introductory statement, the Commission has reported an operating deficit for the year of £15,777, in the main due to increased administrative costs, but also because of the re-allocation of part of one remote operators' licence fee from being wholly in 2016, into 2017, reflecting that operator's positive decision to remain in the jurisdiction. The continuation of the licence (which was to be surrendered in December) meant that the income had to be apportioned across the full twelve months and hence reducing the income in that year. Income for 2017 will however be increased proportionately.

In line with its policies, the Commission reviews its fees and charges annually in light of its audited accounts.

AUDITED FINANCIAL STATEMENTS OF

JERSEY GAMBLING COMMISSION

FOR THE YEAR ENDED

31 DECEMBER 2016

**JERSEY GAMBLING COMMISSION
FOR THE YEAR ENDED 31 DECEMBER 2016**

| CONTENTS | PAGE |
|---|-------------|
| Commissioners' report | 13 |
| Independent auditor's report to the Comptroller and Auditor General | 15 |
| Statement of comprehensive income and retained earnings | 17 |
| Statement of financial position | 18 |
| Notes to the financial statements | 19 |

COMMISSIONERS' REPORT

The commissioners present their report and the audited financial statements of the Jersey Gambling Commission ("the Commission") for the year ended 31 December 2016.

INCORPORATION

The Commission was incorporated in Jersey under the Gambling Commission (Jersey) Law 2010.

COMMISSIONERS

The commissioners who served during the year were as follows:

| | |
|------------------|------------------------------|
| Mr G White, OBE | (Resigned 30 September 2016) |
| Mr P Cruickshank | (Resigned 30 September 2016) |
| Ms D Sebire | |
| Mr C Whelan | |
| Mr M Swan | (Appointed 4 January 2016) |

RESULTS

The financial statements provide an overview of the Commission's income and expenditure for 2016. The Commission reports a deficit for the year of £15,777 (2015: surplus £37,799).

GOING CONCERN

The commissioners consider, given the financial condition of the Commission, the use of the going concern basis is appropriate for the current year and for 12 months from the date of signing these financial statements.

REGULATIONS

This report has been prepared in accordance with Financial Reporting Standard 102 ("FRS 102") and the requirements of the Gambling Commission (Jersey) Law 2010.

SOCIAL RESPONSIBILITY FUND

Accounting for the Social Responsibility Fund is governed by Article 10 of the Gambling Commission (Jersey) Law 2010 and these funds are kept separate from the main Commission accounts. The fund is used by way of research, education, information, prevention, treatment, counselling or other measures to support vulnerable people from addiction and other forms of harm associated with gambling. Specifically the Fund meets the costs of the www.gamblingtherapy.je website as well as published material distributed to public-facing licensees. The Commission is working with stakeholders both within the States of Jersey and externally to assess evidentially other uses for the Fund.

COMMISSIONERS' RESPONSIBILITIES

The commissioners are responsible for preparing the Commissioners' Report and the financial statements in accordance with applicable law and regulations.

COMMISSIONERS' REPORT (continued)

COMMISSIONERS' RESPONSIBILITIES (continued)

The Gambling Commission (Jersey) Law 2010 requires the commissioners to prepare financial statements for each financial year. Under that law, the commissioners have elected to prepare the financial statements in accordance with FRS 102. The commissioners must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Commission and of the surplus or deficit for that year.

In preparing these financial statements, the commissioners are required to:

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

The commissioners are responsible for keeping adequate accounting records that are sufficient to show and explain the Commission's transactions and disclose with reasonable accuracy at any time the financial position of the Commission and enable them to ensure that the financial statements comply with the Gambling Commission (Jersey) Law 2010. 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.

Each of the persons who is a commissioner at the date of approval of this report confirm that:

- so far as each commissioner is aware, there is no relevant audit information of which the Commission's auditor is unaware; and so far as each commissioner is aware, there is no relevant audit information of which the Commission's auditor is unaware; and
- each commissioner has taken all steps that they ought to have taken as a commissioner to make themselves aware of any relevant audit information and to establish that the commissioners' auditor is aware of that information.

AUDITOR

The Comptroller and Auditor-General exercised her power under Article 18(4)(a) of the Gambling Commission (Jersey) Law 2010 (as amended by Article 27 of the Comptroller and Auditor General (Jersey) Law 2014), to appoint Deloitte LLP as auditor of the Jersey Gambling Commission for the years ending 31 December 2015 to 31 December 2019.

Registered Office:

The Jersey Gambling Commission
4th Floor
Osprey House
5-7 Old Street
St Helier
JE2 3RG

Signed on behalf of the Commission

.....
Dr Jason Lane
Chief Executive

Approved on 19th July 2017

JERSEY GAMBLING COMMISSION
INDEPENDENT AUDITOR'S REPORT TO THE COMPTROLLER AND AUDITOR GENERAL
FOR THE YEAR ENDED 31 DECEMBER 2016

We have audited the financial statements of the Jersey Gambling Commission (the "Commission") for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income and Retained Earnings, the Statement of Financial Position and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is the United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the requirements of the Gambling Commission (Jersey) Law 2010.

This report is made solely to the Commission's members, as a body, in accordance with Article 18(4) of the Gambling (Jersey) Law 2010. Our audit work has been undertaken so that we might state to the Commission's members 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 Commission's members 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 Commissioners' Responsibilities Statement, 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 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.

JERSEY GAMBLING COMMISSION

INDEPENDENT AUDITOR'S REPORT TO THE COMPTROLLER AND AUDITOR GENERAL

Opinion on financial statements

- give a true and fair view of the state of the Commission's affairs as at 31 December 2016 and of its profit or loss for the year then ended;
- have been properly prepared in accordance with FRS 102; and
- have been properly prepared in accordance with the requirements of the Gambling (Jersey) Law 2010.

Gregory Branch

for and on behalf of Deloitte LLP

Jersey

Date: 19 July 2017

JERSEY GAMBLING COMMISSION
FOR THE YEAR ENDED 31 DECEMBER 2016

STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS

| | Notes | 2016 £ | 2015 £ |
|---|-------|-----------------|----------------|
| TURNOVER | 4 | <u>538,301</u> | <u>531,803</u> |
| EXPENSES | | | |
| Administrative expenses | | <u>554,833</u> | <u>494,951</u> |
| (DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION | | <u>(16,532)</u> | <u>36,852</u> |
| Interest receivable and similar income | | 755 | 947 |
| (DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION | 6 | <u>(15,777)</u> | <u>37,799</u> |
| TAXATION | 7 | - | - |
| (DEFICIT)/SURPLUS FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE INCOME | | <u>(15,777)</u> | <u>37,799</u> |
| RETAINED SURPLUS AT 1 JANUARY | | <u>265,361</u> | <u>227,562</u> |
| RETAINED SURPLUS AT 31 DECEMBER | | <u>249,584</u> | <u>265,361</u> |

The Commission's turnover and expenses all relate to continuing operations.

There are no recognised gains or losses other than those shown above.

(The notes commencing on pages 19 to 25 form part of these Financial Statements)

**JERSEY GAMBLING COMMISSION
AS AT 31 DECEMBER 2016**

| STATEMENT OF FINANCIAL POSITION | Notes | 2016 £ | 2015 £ |
|---|-------|----------------|----------------|
| FIXED ASSETS | | | |
| Property, plant and equipment | 8 | <u>9,918</u> | <u>6,028</u> |
| CURRENT ASSETS | | | |
| Trade and other receivables | 9 | 461,483 | 494,157 |
| Cash and cash equivalents | 10 | <u>383,684</u> | <u>321,482</u> |
| | | <u>845,167</u> | <u>815,639</u> |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | | | |
| Trade and other payables | 11 | <u>541,392</u> | <u>507,725</u> |
| | | <u>541,392</u> | <u>507,725</u> |
| NET CURRENT ASSETS | | <u>303,775</u> | <u>307,914</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>313,693</u> | <u>313,942</u> |
| NET ASSETS | | <u>313,693</u> | <u>313,942</u> |
| ACCUMULATED RESERVES | | | |
| Social Responsibility Fund | 12 | 64,109 | 48,581 |
| Income and Expenditure Account | | <u>249,584</u> | <u>265,361</u> |
| | | <u>313,693</u> | <u>313,942</u> |

The financial statements on pages 17 to 25 have been prepared in accordance with the Gambling Commission (Jersey) Law 2010 and Financial Reporting Standard 102(1A) applicable to small entities.

The accounts were approved and authorised for issue on 19 July 2017 by the Jersey Gambling Commission and signed on its behalf by:

Dr Jason Lane
Chief Executive

(The notes commencing on pages 19 to 25 form part of these Financial Statements)

**JERSEY GAMBLING COMMISSION
FOR THE YEAR ENDED 31 DECEMBER 2016**

NOTES TO THE FINANCIAL STATEMENTS

1 General Information

The Jersey Gambling Commission (the "Commission") was created by the Gambling Commission (Jersey) Law 2010 and is responsible for the licensing, registration and regulation of gambling in the Island of Jersey. This law transferred all responsibilities for licensing, registration and regulation of gambling prescribed as the duty of the Minister, the former Licensing Assembly or other States bodies to this new Authority. The Commission is a body corporate and its registered office is 4th Floor, Osprey House, 5-7 Old Street, St Helier, Jersey, JE2 3RG.

2 Statement of compliance

The financial statements have been prepared in compliance with Section 1A of Financial Reporting Standard 102 (FRS 102) 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' issued by the Financial Reporting Council and the Gambling Commission (Jersey) Law 2010.

3 Summary of significant accounting policies

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention. The Commission has applied the small entities regime under FRS 102(1A), which allows qualifying entities certain disclosure exemptions. The Commission has taken advantage of the exemption from preparing a statement of cash flows.

Accounting estimates

The preparation of financial statements requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying accounting policies. Accounting estimates involve management's judgment of expected future benefits and obligations relating to assets and liabilities (and associated expenses and income) based on information that best reflects the conditions and circumstances that exist at the reporting date. There have been no changes to the accounting estimates from the previous financial year.

Going concern

The Commission meets its day-to-day working capital requirements through its bank facilities. After reviewing the Commission's forecasts and projections, the commissioners have a reasonable expectation that the Commission has adequate resources to continue in operational existence for the foreseeable future. The commissioners consider, given the financial condition of the Commission, the use of the going concern basis is appropriate for the current year and for 12 months from the date of signing these accounts.

**JERSEY GAMBLING COMMISSION
FOR THE YEAR ENDED 31 DECEMBER 2016**

NOTES TO THE FINANCIAL STATEMENTS (continued)

Revenue recognition

Revenue is recognised to the extent that the Commission obtains the right to consideration in exchange for services rendered. Revenue comprises the fair value of consideration received and receivable after discounts.

Licence fees

Under the terms of Gambling (Jersey) Law 2012 and subordinate legislation, licences granted by the Commission are valid for up to five years. Non-refundable licence fees are payable on issue of the licence and at each anniversary of its issue. Non-refundable licence fees are initially recorded as deferred income and released over the period of the licence as the commissioners believe that this treatment matches the income generated in the period with the associated expenditure.

Social permits and registrations

Income from these permits and registrations is recognised when the permit is issued.

Expenses

Expenses are accounted for on an accruals basis.

Pension costs

Staff initially employed by the States of Jersey before 3 September 2010 of which there are two 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 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 a rate of 13.6% (2015 13.6%). This rate is the expected to continue to be payable during 2017.

Actuarial valuations are performed on a triennial basis; the most recently published was the PECRS Actuarial Valuation for 31 December 2013 on 13 March 2015. The main purposes of the valuations 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 States of Jersey, may be obtained from the States Treasury, Cyril Le Marquand House, The Parade, St. Helier, JE4 8UL.

Property, plant and equipment

Property, plant and equipment are recorded at historical cost or deemed cost, less accumulated depreciation and impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

Repairs and maintenance costs are expensed as incurred.

**JERSEY GAMBLING COMMISSION
FOR THE YEAR ENDED 31 DECEMBER 2016**

NOTES TO THE FINANCIAL STATEMENTS (continued)

Fully depreciated property, plant & equipment are retained in the cost of property, plant & equipment and related accumulated depreciation until they are removed from service. In the case of disposals, assets and related depreciation are removed from the financial statements and the net amount, less proceeds from disposal, is charged or credited to the profit and loss account.

Depreciation

Depreciation is calculated on straight-line basis to allocate the depreciable amount on the assets over their estimated useful economic lives as follows:

| | |
|---------------------|--|
| Website costs | Over an estimated useful life of 3 years |
| Computer equipment | Over an estimated useful life of 3 years |
| Fixtures & fittings | Over an estimated useful life of 5 |
| years | |

The Commission's policy is to review the remaining useful economic lives and residual values of property, plant and equipment on an ongoing basis and to adjust the depreciation charge to reflect the remaining estimated useful economic life and residual value.

Financial instruments

The Commission has chosen to adopt Sections 11 of FRS 102 in respect of financial instruments.

(i) Financial Assets

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments with original maturities of three months or less.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Provisions

Provisions are recognised when the Commission has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Contingencies

Contingent liabilities, arising as a result of past events, are disclosed when it is possible that there will be an outflow of resources but the amount cannot be reliably measured at the reporting date. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow is remote.

Contingent assets are disclosed in the financial statements but not recognised where an inflow of economic benefits is probable.

| | | | |
|----------|--|------------------|------------------|
| 4 | Analysis of turnover by category | 2016 £ | 2015 £ |
| | Licence fees | 533,206 | 527,133 |
| | Social permits | 620 | 600 |
| | Social registrations | 1,500 | 1,520 |
| | Software designers permits | 1,250 | 1,250 |
| | Other income | 1,725 | 1,300 |
| | | 538,301 | 531,803 |
| | | 538,301 | 531,803 |
| 5 | Payroll costs | 2016 £ | 2015 £ |
| | Staff salaries | 301,252 | 275,093 |
| | Commissioners' fees | 84,500 | 75,500 |
| | Employer pension contributions | 25,160 | 20,129 |
| | | 410,912 | 370,722 |
| | | 410,912 | 370,722 |
| | | 2016 | 2015 |
| | Number of permanent staff employed during the year | 5 | 5 |
| 6 | Surplus for the financial year | 2016 £ | 2015 £ |
| | Surplus for the financial year is stated after charging: | | |
| | Auditors remuneration | 6,700 | 7,500 |
| | Depreciation | 6,455 | 6,007 |
| | | 13,155 | 13,507 |
| | | 13,155 | 13,507 |

**JERSEY GAMBLING COMMISSION
FOR THE YEAR ENDED 31 DECEMBER 2016**

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 Taxation

Article 17 of the Gambling Commission (Jersey) Law 2010 provides that the income of the Commission shall not be liable to income tax under the Income Tax (Jersey) Law 1961. The Commission is registered for Goods and Services Tax (GST) under The Goods and Services Tax (Jersey) Law 2007. At the year ended 31 December 2016 the Commission was due a repayment of £1,027 (2015: £966).

8 Property, plant and equipment

| | Website Costs £ | Computer Equipment £ | Fixtures & fittings £ | Total £ |
|-------------------------|--------------------|----------------------------|-----------------------------|---------------|
| <i>Cost</i> | | | | |
| Balance brought forward | 8,238 | 20,073 | - | 28,311 |
| Additions | 1,500 | 7,345 | 1,500 | 10,345 |
| Balance carried forward | <u>9,738</u> | <u>27,418</u> | <u>1,500</u> | <u>38,656</u> |
| <i>Depreciation</i> | | | | |
| Balance brought forward | 6,542 | 15,741 | - | 22,283 |
| Charge for the year | 1,480 | 4,800 | 175 | 6,455 |
| Balance carried forward | <u>8,022</u> | <u>20,541</u> | <u>175</u> | <u>28,738</u> |
| <i>Net book value</i> | | | | |
| Balance carried forward | <u>1,716</u> | <u>6,877</u> | <u>1,325</u> | <u>9,918</u> |
| Balance brought forward | <u>1,696</u> | <u>4,332</u> | - | <u>6,028</u> |

9 Trade and other receivables

| | 2016 £ | 2015 £ |
|-------------------------|----------------|----------------|
| Licence fees receivable | 444,223 | 485,338 |
| Other debtors | 17,260 | 8,819 |
| | <u>461,483</u> | <u>494,157</u> |

All debtors are repayable within one year.

10 Cash and cash equivalents

The cash includes £52,459 (2015: £32,832) relating to the Social Responsibility Fund. The use of the Social Responsibility Fund is restricted by Article 10 of the Gambling Commission (Jersey) Law 2010.

**JERSEY GAMBLING COMMISSION
FOR THE YEAR ENDED 31 DECEMBER 2016**

NOTES TO THE FINANCIAL STATEMENTS (continued)

| | | |
|------------------------------------|-----------------------|-----------------------|
| 11 Trade and other payables | 2016 | 2015 |
| | £ | £ |
| Amounts due in less than one year: | | |
| Licence fees billed in advance | 508,298 | 477,330 |
| Other creditors and accruals | 33,094 | 30,395 |
| | <u>541,392</u> | <u>507,725</u> |
| | <u><u>541,392</u></u> | <u><u>507,725</u></u> |

12 Social Responsibility Fund

To comply with Article 10 (1) of the Gambling Commission (Jersey) Law 2010, the Commission accounts for the Social Responsibility Fund separately from its general funds.

| | | |
|-------------------------|----------------------|----------------------|
| | 2016 | 2015 |
| | £ | £ |
| Balance brought forward | 48,581 | 22,217 |
| Amounts billed | 15,700 | 29,364 |
| Amounts used | (172) | (3,000) |
| | <u>64,109</u> | <u>48,581</u> |
| Balance carried forward | <u><u>64,109</u></u> | <u><u>48,581</u></u> |

13 Related party transactions

During the year salaries paid to the Commissioners totalled £84,500 (2015: £75,500). The Commissioners did not receive any other benefits for services rendered in the current or prior year. No other transactions with related parties were undertaken such as are required to be disclosed under United Kingdom Generally Accepted Accounting Principles, including FRS 102 and the Gambling Commission (Jersey) Law 2010.

14 Leases

On the 1 January 2013, the Commission entered into a lease agreement in respect of its offices at Salisbury House at a rate of £12,000 per annum until June 2016.

On the 7 June 2016, the Commission entered into a lease agreement in respect of its offices at Osprey House until 31 October 2018. The annual rent is £32,680 from 17 June 2016 to 31 October and £34,400 from 31 October 2016 to 31 October 2018. The Commission pays all property related expenses.

**JERSEY GAMBLING COMMISSION
FOR THE YEAR ENDED 31 DECEMBER 2016**

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 Ultimate controlling party

The Jersey Gambling Commission is a corporate body without share capital. It is independent of the States of Jersey and as a result there is no ultimate controlling party.

16 Events after the statement of financial position date

No events occurred after the balance sheet date which are required to be disclosed by the entity.