

Annual Report and Audited Financial Statements

2021



ALDERNEY
GAMBLING CONTROL COMMISSION



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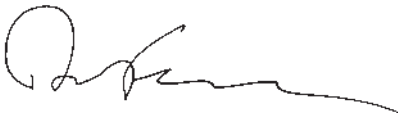
16 May 2022

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

Dear Sir,

I have pleasure in presenting the Annual Report of the Alderney Gambling Control Commission for the period 1 January to 31 December 2021.

Yours faithfully



Lord Faulkner of Worcester
Chairman

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Mission Statement



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

Objectives

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

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

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

Chairman's Statement

When 2020 became 2021 Covid-19 was still at the forefront of our minds. The impact on our working and home lives was significant and we were still living with significant restrictions. The ability to manage the effect of the pandemic remained of critical importance and throughout 2021 we were impressed by the Bailiwick of Guernsey's steadfast support for both individuals and businesses. It is pleasing to note that our community of eGambling operators were impacted to a lesser extent in 2021 than they had been in 2020. I am confident that in 2022 a sense of normality can be restored.

In 2021 Alderney's eGambling industry maintained the resilience found in 2020 and we eventually saw stability return to the sector. Notwithstanding these periods of flux and diversification it was heartening to see operators fully committed to complying with the ongoing regulatory requirements expected of them with regards to player protection and responsible gambling.

As the severity of the pandemic eases the eGambling industry in Alderney is well placed for renewed growth. There is no doubt that eGambling within the Bailiwick benefits from the wider environment of stability here.

The Commission was able to build on its experiences of 2020 in revising its processes of scrutiny and oversight. With staff familiar with the mindset needed for successful remote operations allied to the necessary IT infrastructure the Commission

maintained its off-site monitoring regime and expanded remote inspection activity to complement physical inspections where possible.

The Commission continues to make a valuable contribution to both the Island of Alderney and the wider Bailiwick. It is noteworthy that a number of the world's major B2C (Business to Customer) operators have been attracted to the Bailiwick. The provision of platforms and services from an Alderney base complements domestic licensing regimes in a number of jurisdictions. This brings many benefits to the Bailiwick and continues to place Alderney at the heart of the global eGambling community.

The Commission maintains an important position in the community of gambling regulators internationally with our Director of Licensing serving as a Director of the Gaming Regulators European Forum and our Executive Director having completed two years as GREF's Chair. Our aim has always been to remain at the forefront of shaping international best practice in gambling regulation. It is likely that the coming months will see proposals for modernising the United Kingdom's Gambling Act following a review by the UK Government. The Commission will carefully consider how we in Alderney can continue to develop our first tier regulatory environment for global eGambling operators during the current period of fast-paced innovation in product design and advertising, and new opportunities to harness technology for the protection of players.



Chairman's Statement (continued)

In 2021 the Commission continued to work closely with fellow supervisors in the Bailiwick. We are grateful to the Guernsey Financial Intelligence Unit and the Guernsey Financial Services Commission for their help in mitigating the risks of eGambling being used for money laundering or terrorist financing. When the forthcoming MONEYVAL inspection takes place I am confident that our persistent work in the field of AML/CFT will demonstrate our desire to ensure that we continue to operate in the top tier of gambling regulators with standards that others aspire to.

Lastly I want to express my gratitude to my fellow Commissioners for their continued hard work and support in what has been another exceptional year. We must also thank Jorn Starck, the Commission's Executive Director together with his Executive Committee colleagues for their efforts. Without their work and that of our dedicated staff it would not be possible for us to maintain the high levels of regulatory oversight that we do. I remain honoured to serve as the Commission's Chairman and be part of an organisation that is at the forefront of this industry and which is recognised world-wide and, most importantly, which is able to make such a valuable contribution to the Island of Alderney.

A handwritten signature in black ink, appearing to be 'Lord Faulkner of Worcester'.

Lord Faulkner of Worcester
Chairman

Approach to Regulation

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

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

REGULATORY CHANGES

In 2021 changes were made to the regulatory framework governing eGambling in Alderney. In November the States of Alderney approved the Gambling (Alderney)(Amendment) Law, 2021 and the Alderney eGambling (Amendment) Ordinance, 2021 and the Commission made the Alderney eGambling (Amendment) Regulations, 2021.

The Gambling (Alderney)(Amendment) Law, 2021 increased the custodial penalties that could be imposed by the Court for a number of criminal offences. The Alderney eGambling (Amendment) Ordinance, 2021 increased the financial penalties that could be imposed by the Commission for regulatory breaches from £25,000 to £250,000 or ten percent of turnover (whichever is the greater) making the sanctions that can be imposed by the Commission effective, dissuasive and proportionate. In addition the custodial penalty that could be imposed for money laundering offences was increased to five years imprisonment. The Alderney eGambling (Amendment) Regulations revised the Alderney eGambling Regulations in line with the changes to the Law and the Ordinance.

WORKING WITH A GLOBAL INDUSTRY

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



Approach to Regulation (continued)

REGULATORY AND LEGISLATIVE COOPERATION

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

Alderney has proven experience in establishing and maintaining a robust, business-friendly online gaming jurisdiction and plays an active role in international regulatory bodies such as the Gaming Regulators European Forum (GREF) and the International Association of Gaming Regulators (IAGR). The Commission also shares this expertise with others through participation in the major industry conferences. Unfortunately the events of 2021 continued to prevent many conferences from taking place as well as international regulatory bodies from being able to meet in person. However, virtual meetings have taken place throughout the year.

During the course of each year, members of the Commission ordinarily participate in various regulatory and industry conferences.

The Commission did not attend any regulatory and industry conferences in 2021 as a result of the Covid-19 pandemic.

Anti-Money Laundering/Combating the Financing of Terrorism



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

The Commission follows closely the guidance of the Financial Action Task Force (“FATF”), an inter-governmental body whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing. In order to meet FATF objectives, organisations are required to maintain comprehensive statistics regarding the effectiveness and efficiency of systems for combatting money laundering and terrorist financing. The Commission particularly notes and takes record of suspicious transaction reports by the Commission or its licensees and certificate holders, the details of onsite inspections, as well as any formal requests for assistance relating to AML/CFT issues. During the year 2,832 suspicious transaction reports were submitted by eGambling licensees and certificate holders.



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

The Commission works closely with key stakeholders in the Bailiwick and in particular the Guernsey Financial Intelligence Unit (Guernsey FIU). This co-operation takes many forms including regular face to face liaison meetings, routine sharing of intelligence and targeted thematic reviews. The Commission is grateful for the assistance it receives from the Guernsey FIU, the Guernsey Financial Services Commission and the States of Guernsey with regards to AML/CFT matters.

The Commission continues to be involved in a number of initiatives aimed at raising awareness of these issues with licensees and the public. During 2021 these included briefing and training sessions for staff, as well as consultation with other regulatory bodies. The Commission was unable to hold its annual AML/CFT event in 2021 as a result of the Covid-19 pandemic. As an alternative the Commission filmed video presentations which were released to licensees and certificate holders. In addition, the Commission is represented at meetings of the Bailiwick's AML/CFT working groups. In 2021 the Commission undertook a review of STR activity and a review of the risk of Money Laundering and Terrorist Financing in the eGambling sector. As a result of these reviews the Commission issued Instruction 7 to licensees and certificate holders in August 2021.

All active licensees are ordinarily inspected within one year of the approved start of their live operations and annually thereafter. All inspections incorporate a careful examination of a licensee's AML/CFT procedures using a dedicated AML/CFT inspection template to ensure that they are robust. The on-site inspection will include reviews of player registration, payment systems, player due diligence and other controls used to prevent money laundering and to combat terrorist financing. However the events of 2021, including travel bans and requirements to isolate/quarantine, impacted on the Commission's ability to undertake on-site inspections overseas. As a result of this the Commission maintained a remote inspection regime with effective use of telephone and videoconferencing to maintain oversight of eGambling activity.

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

In 2010 the Bailiwick of Guernsey was the subject of an assessment of its AML/CFT regime and its compliance with the FATF Recommendations which was conducted by the International Monetary Fund (IMF). Following a request made by the United Kingdom, the Bailiwick of Guernsey (along with the other Crown Dependencies) joined MONEYVAL, a body of the Council of Europe, in 2012. Future assessments of the Bailiwick's AML/CFT regime will be undertaken by MONEYVAL. In 2013, MONEYVAL performed a Follow up Review to examine progress made in relation to the implementation of the IMF's 2010 Core Recommendations. A further review took place in 2014 which was reported back to MONEYVAL at its 48th Plenary in Strasbourg in September, 2015. The findings of this were made public in January, 2016. MONEYVAL's findings that the Bailiwick's eGambling sector is highly compliant and that the Commission's regime is both effective and robust reflects our continuing commitment to meeting international standards and preventing money laundering and the funding of terrorism. The Commission continues to be part of the Bailiwick wide working group tasked with implementing the new FATF recommendations and participated in the work necessary for the Bailiwick to prepare its National Risk Assessment (NRA). The public version of the NRA was published in January 2020. The Commission continues to work towards the next MONEYVAL inspection of the Bailiwick which is scheduled to take place in 2023 and the Commission will be able to utilise the Director of Licensing's training as a MONEYVAL AML/CFT assessor in preparing the Commission for this inspection.

Licensing and Compliance Activity

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

After an application has been received, an initial investigation meeting will discuss in some detail the background to the application, the nature of the proposed eGambling activities and how the eGambling will be conducted. The discussion will also incorporate issues such as the financing, the individuals involved, and the software being used. This is to ensure that the Commission has a full and clear understanding of the proposition. The Licensing Directorate will then investigate each corporate and individual applicant looking at their business history and relevant experience, associated principals and business associates. The Commission may outsource certain elements of the investigation to suitable third parties where geographical or language constraints make it difficult to obtain the necessary confirmation of an applicant's fitness and propriety.

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

In 2021 the Commission revised the way in which it categorises operators based on their function in the gambling transaction. A B2C (Business to Customer) operator is either a Category 1 eGambling Licensee or Category 1 Associate Certificate holder which organises and prepares the customer to gamble. A B2B (Business to Business) operator is either a Category 2 eGambling Licence holder or a Category 2 Associate Certificate holder.

As at 31st December 2021, there were 9 registered B2C only licence/certificate holders and 22 B2B only licence/certificate holders. In addition, there were 11 registered B2C and B2B combined licence/certificate holders and 12 CSAC holders.

Details of the licences and certificates issued are as follows:

Category 2 Associate Certificates;
 Eurasia Sports Limited
 Evolution Alderney Limited
 Games Global Operations Limited
 Playtech Software Alderney Limited



Licensing and Compliance Activity (continued)

The following allowed their licences and certificates to lapse:

Category 1 eGambling Licence;
Mayfair Online International Limited
BGO Entertainment Limited

Category 1 & 2 eGambling Licence;
Game Account Global Limited
Virtue Fusion (Alderney) Limited

Category 2 eGambling Licence;
Eurasia Sports Limited
Evolution Alderney Limited

Category 1 and 2 Associate Certificates;
Severide Limited

Core Services Associate Certificates;

There was one Core Services Associate Certificate granted in 2021 to Power Leisure Bookmakers Limited.

Six holders of Core Services Associate Certificates allowed their certificates to lapse. The number of Core Services Associate Certificates in issue at the end of the year was 12 (2020, 17).

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

www.gamblingcontrol.org

Alongside licence applications, the Commission also approved 10 key individual applications (2020, 3).

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



Licensing and Compliance Activity (continued)

HOSTING CERTIFICATES

Holders of eGambling licences are required to house their gambling equipment in approved premises. Where gambling equipment is housed in the Bailiwick of Guernsey, it must be accommodated by a company which holds a hosting certificate. The first hosting certificates were issued in 2006 to Cable & Wireless (now trading as Sure (Guernsey) Limited), Itex and Newtel (now trading as JT (Guernsey) Limited). The Commission has issued 12 hosting certificates in total of which 11 remain in force.

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

TEMPORARY LICENCES

A temporary licence allows a company to run eGambling operations from Alderney for a strictly limited period of time: no more than 30 days continuously or for an aggregate of 60 days in any six month period. This type of licence is designed to serve the needs of operators requiring short term use of Alderney based gambling equipment, whether for disaster recovery periods or perhaps for a period of transition from one location to another. There were no temporary licences in place at the end of 2021.

REGULATORY ACTIVITY – COMPLAINTS

The Commission has in place a complaints procedure to address player issues that have not been satisfactorily resolved by a licensee. During 2021, 43 complaints were received (2020, 16) and dealt with by the Commission, an increase on the previous year. As a result of the European Union's Directive on Consumer Alternative Dispute Resolution the Commission no longer processes complaints for players based within the United Kingdom.

Complaints arose for various reasons, including:

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

No Commission Hearings took place in 2021 which reflects the fact that all player complaints were dealt with without the need for a hearing.

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



Licensing and Compliance Activity (continued)

FURTHER APPROVAL

Following the Commission's approval of a licence, the licensee will then be required to obtain full approval of their gambling equipment and their internal control system (ICS). All gambling equipment – including random number generators and all relevant software and hardware - will be rigorously tested by an independent testing house to ensure compliance with the Commission's published technical standards. Four initial gambling equipment approvals and one conditional gambling equipment approval were made in 2021.

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

- administrative control;
- accounting and financial control;
- controls over the operation of customer accounts and player funds;
- safeguards in relation to the security of the licensees systems;
- comprehensive and appropriate AML/CFT procedures;
- procedures for identifying fraudulent, problem or underage gambling.

Five initial ICS approvals were made in 2021 which were full approvals and no conditional ICS approvals were made.

INSPECTIONS

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

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

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

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

During 2021, the compliance team carried out 31 inspections. In the main these demonstrated a high level of regulatory compliance by licensees and reaffirmed the importance of active operational controls.



Licensing and Compliance Activity (continued)

The curtailment of travel due to Covid-19 impacted the Commission's ability to perform on-site inspections. The Commission maintained its oversight of regulatory compliance through its long established off-site monitoring regime and complemented this with remote means of inspection. Telephone and videoconferencing can go some way to replacing on-site inspection activity and they afford the Commission a means of supervising gambling activity until such time as a full schedule of on-site inspections can be re-established.

SPECIAL INVESTIGATIONS

The Commission has the power to conduct a special investigation of a licensee at any time. This may be deemed necessary to confirm or review a licensee's operation, or where there are concerns regarding operational issues. While some of these may be conducted by visiting the licensee's premises, they can also be carried out remotely. The findings from a special investigation may lead to a speedy resolution of any underlying causes for concern, or in some instances the issuance of further sanctions. No special investigations were instigated in 2021.

SANCTIONS

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

Where a breach of the regulations continues or becomes more serious, a regulatory hearing may be called as an opportunity for the licence or certificate

holder to make representations and present their case to the Commission. There were no sanctions issued or regulatory hearings called during 2021.

SEGREGATION OF PLAYER FUNDS

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

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

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

Licensing and Compliance Activity (continued)



TRAINING AND INFORMATION SESSIONS

The Commission was unable to hold its annual AML/CFT training and information session for licensees in 2021 due to Covid-19 travel restrictions. As an alternative the Commission issued a number of video presentations for licensees covering the Commission's STR and AML/CFT risk review as well as an update on wider AML/CFT matters.

Technical Activity

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

Following such approval, the Commission then aims to control any significant subsequent changes using an automated change control system which allows licensees to enter and upload relevant information using a secure online portal. This system stores detailed information on licensees' approved games and is easier for licensees to use. The greater clarity of the information processed also ensures a significant increase in operational efficiency. There were 5,825 new games and gambling equipment approvals processed in 2021 (2020, 8,232).

Alderney Gambling Control Commission Audited Financial Statements as at 31 December 2021

Statement of the Commissioners' Responsibilities

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- assess the Commission's ability to continue as a going concern disclosing as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Commission or to cease operations, or have no realistic alternative but to do so.

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

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

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

The Commissioners are responsible for the maintenance and integrity of the corporate and financial information included on the Commission's website, and for the preparation and dissemination of financial statements.

Legislation in Alderney governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Commissioners have a reasonable expectation that the Commission has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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

OPINION

We have audited the financial statements of Alderney Gambling Control Commission (the 'Commission') for the year ended 31 December 2021 which comprise the Statement of Financial Position, the Statement of Comprehensive Income and Retained Earnings and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Commission's affairs as at 31 December 2021 and of its profit for the year then ended;
- are in accordance with United Kingdom Generally Accepted Accounting Practice; and
- comply with The Gambling (Alderney) Law, 1999.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, including the International Code of Ethics for

Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER INFORMATION

The Commissioners are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



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

COMMISSIONERS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

As explained more fully in the Commissioners' responsibilities statement set out on page 17, the Commissioners are responsible for the preparation of the financial statements which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, and for such internal control as the Commissioners determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Commissioners are responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Commissioners either intend to liquidate the Commission or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Commissioners, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Commissioners with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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

USE OF OUR REPORT

This report is made solely to the Commissioners, in accordance with Schedule 1 of The Gambling (Alderney) Law, 1999. Our audit work has been undertaken so that we might state to the Commissioners those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Commissioners as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton Limited
Chartered Accountants
St Peter Port, Guernsey

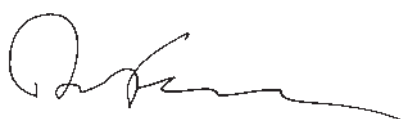
Date: 29 March 2022

Statement of Financial Position as at 31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Computer, office equipment & furniture		17,174	21,741
Leasehold property		14,881	26,785
	3&4	32,055	48,526
Current assets			
Cash at bank and in hand	5	1,994,096	2,066,034
Debtors		1,215	1,677
Prepayments		15,976	10,116
		2,011,287	2,077,827
Creditors: amounts falling due within one year	6	(453,834)	(533,689)
Net current assets		1,557,453	1,544,138
Total assets less current liabilities		1,589,508	1,592,663
Capital and reserves			
Retained surplus brought forward		1,592,663	1,691,602
Net (deficit) for the year		(3,155)	(98,939)
Retained surplus		1,589,508	1,592,663

The notes on pages 24 to 28 are an integral part of these accounts.

The financial statements on pages 16 to 28 were approved by Alderney Gambling Control Commission on 25 March 2022 and signed on its behalf by:



Lord Richard Faulkner
Chairman

Statement of Comprehensive Income and Retained Earnings for the year ended 31 December 2021

	Note	2021 £	2020 £
Income			
Licence fees	3	3,538,000	3,431,000
Fees charged to clients	3	509,807	512,698
Bank interest		2,091	6,659
		<u>4,049,898</u>	<u>3,950,357</u>
Expenditure			
Staff costs	8	1,419,224	1,638,844
Commissioners' fees	7	150,795	147,838
Premises, furniture and equipment		88,749	92,687
Web hosting		170,551	163,125
Consultancy		6,006	4,465
Conferences and general travel		11,874	17,217
Postage, stationery and telephone		18,010	22,757
Administrative expenses		187,040	184,531
Audit fees		8,113	7,063
Depreciation	4	21,210	29,007
		<u>2,081,570</u>	<u>2,307,533</u>
Total Comprehensive Income		1,968,326	1,642,823
Retained Earnings at 1 January		1,592,663	1,691,602
Total Comprehensive Income for the year		1,968,326	1,642,823
Distributions for the year		<u>(1,971,481)</u>	<u>(1,741,762)</u>
Retained earnings at 31 December		<u>1,589,508</u>	<u>1,592,663</u>

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

The notes on pages 24 to 28 form an integral part of these financial statements.

Notes to the Financial Statements for the year ended 31 December 2021

1. Reporting Entity

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

2. Basis of Preparation

These financial statements give a true and fair view and were prepared in accordance with United Kingdom Accounting Standards including Section 1A of Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (“FRS 102”) and are in line with the Gambling law. The financial statements have been prepared on a historical cost basis.

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

The Commissioners have a reasonable expectation that the Commission has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. In March 2020, the World Health Organisation recognised an outbreak of a new virus that causes coronavirus disease (COVID-19) as a pandemic. COVID-19 has caused disruption to businesses and economic activity for 2020, 2021 and moving into 2022. The Commissioners are continuing to monitor the impact of COVID-19 but are confident that the pandemic will have no effect on the going concern status of the Commission.

The financial statements are prepared in sterling which is the functional currency of the Commission. The Commission consider sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The significant accounting policies are set out below and have been applied consistently throughout the year.

3. Significant Accounting Policies

Licence and certificate fees

Under the terms of The Alderney e-Gambling Ordinance, 2009, licences and certificates granted by the Commission are valid for an indefinite period. A non-refundable licence or certificate fee is payable on issue of the licence or certificate and in advance of each anniversary of the issue of the licence or certificate. The licence and certificate fees are recognised in the Statement of Comprehensive Income on an annual basis on the anniversary on which the licence was granted.

Fees charged to clients

Fees charged to clients are incurred on an accruals basis as services are delivered such as investigation/inspection. As at the year end, there are no outstanding fees (2020: £nil).

Expenses

Expenses are accounted for on an accruals basis.

Tangible Fixed Assets

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

Notes to the Financial Statements for the year ended 31 December 2021 (continued)



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

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

The depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting in the pattern by which the AGCC expects to consume an asset's future economic benefits.

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

Judgements and Estimates

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

a) Judgements

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

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

Financial instruments

Financial assets and liabilities are recognised when the Commission becomes a party to the contractual provisions of the instrument. The financial assets and

liabilities of the Commission consist wholly of basic financial instruments.

a) Basic financial instruments

i) Trade and other debtors / creditors

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

ii) Cash and cash equivalents

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

b) Derecognition

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

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



Notes to the Financial Statements for the year ended 31 December 2021 (continued)

4. Fixed assets

	Equipment & Furniture	Leasehold Property	Total
	£	£	£
Cost			
At 1 January 2021	427,623	645,936	1,073,559
Additions	4,740	–	4,740
At 31 December 2021	<u>432,363</u>	<u>645,936</u>	<u>1,078,299</u>
Depreciation			
At 1 January 2021	405,882	619,151	1,025,033
Charge for year	9,306	11,904	21,210
At 31 December 2021	<u>415,188</u>	<u>631,055</u>	<u>1,046,243</u>
Net book value			
At 31 December 2021	<u>17,174</u>	<u>14,881</u>	<u>32,055</u>
At 31 December 2020	<u>21,741</u>	<u>26,785</u>	<u>48,526</u>

5. Cash at bank and in hand

	2021	2020
	£	£
Business reserve account	537,912	252,987
Applicant and Licensee deposit account	394,788	464,695
Treasury accounts	1,000,017	1,000,017
Current account	61,285	348,316
Petty cash	94	19
	<u>1,994,096</u>	<u>2,066,034</u>

The Commission employs the use of a NatWest credit card facility for £67,500. This consists of a monthly credit card limit of £54,000, with a 7-day payment grace period, thus 25% is added on for credit reporting purposes. Any use of this facility is paid off in full on a monthly basis. There was no amount owed at the year end (2020: £nil).



Notes to the Financial Statements for the year ended 31 December 2021 (continued)

6. Creditors: amounts falling due within one year

	2021	2020
	£	£
Refundable deposits	386,505	464,695
Creditors and accruals	67,329	68,994
	453,834	533,689

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

7. Commissioners' fees

In accordance with the Gambling Law, the States of Alderney is ultimately responsible for meeting the Commissioner's fees and expenses, including the Chairman. During the year, AGCC paid Commissioners fees and expenses totalling £150,795.

8. Staff costs

Included in the staff costs are pension contributions. A defined contributions pension scheme, together with life assurance cover, is provided for employees. The scheme is administered by Gower Limited in Guernsey and was started in May 2002. The scheme requires employees to contribute 6% of gross salary to the scheme and the Commission contributes a minimum 7.5% of gross salary to the scheme on the employees' behalf. The annual pension contribution of £133,249 (2020: £139,845) is included in staff costs. At the year-end there were no prepaid or outstanding contributions (2020: £nil).

During the year the average number of employees was 14 (2020: 16).

9. Operating lease

The Commission entered into a ten year operational lease on the office property in Alderney, commencing in April 2008, on 21 February 2014 the lease was extended to March 2023. The property remains in the ownership of the States of Alderney.

The rental amounts for 2021 charged to the Income statement and included in premises, furniture and equipment expenditure were £52,843 (2020: £51,860).

The Commission is committed under the lease to make payments of the £36,000 per year at the inception of the lease. Subsequent to the inception date, the lease payments are based on the prior year annual rent plus any RPI increase. The lease is subject to review in the fifth year, until the end of the lease (March 2023).

Non-cancellable operating lease rentals are payable as follows:

	2021	2020
	£	£
Less than 1 year	£52,843	£51,860
Between 1 and 5 years	£66,074	£116,695
More than 5 years	–	–

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



Notes to the Financial Statements for the year ended 31 December 2021 (continued)

10. Transfers to the States of Alderney

During 2021 the States of Alderney received transfers from the retained surplus of £1,971,481 (2020 - £1,741,762). The total amount transferred to date is £36M.

11. Guernsey Income Tax

The Commission is not subject to Guernsey Income Tax.

12. Subsequent events

There have been no post balance sheet events.

Statistics



	2021	2020	2019	2018	2017	2016
Number of licensees	42	50	46 ¹	53	56	57
New licences issued	Cat 1 0 Cat 2 0 C1AC 0 C2AC 4 Total new 1	Cat 1 6 Cat 2 1 C1AC 0 C2AC 3 Total new 6 ²	Cat 1 0 Cat 2 1 C1AC 0 C2AC 5 Total new 6	Cat 1 3 Cat 2 3 C1AC 2 C2AC 4 Total new 8	Cat 1 5 Cat 2 4 C2AC 3 Total new 9	Cat 1 3 Cat 2 3 C2AC 3 Total new 5
No. licence apps refused	1	0	0	0	0	0
ICS Initial approvals	5	3	7	6	6	5
Inspections	31	13	33	37	36	38
Licensee/Compliance staff ratio³	6:1	7:1	5.5:1	6:1	6:1	6:1
Special investigations	0	1	0	1	1	1
Sanctions and AML/CFT remedial measures	51	27	86	85	35	50
Revocations	0	0	0	0	0	0
STR's copied	2,832 in total 2,767 eCasino 65 eGambling	2,270 in total 2,251 eCasino 19 eGambling	1,517 in total 1,505 eCasino 12 eGambling	1,103 in total 1,078 eCasino 25 eGambling	320 in total 288 eCasino 32 eGambling	213 in total 165 eCasino 48 eGambling
STR's submitted	0	0	1	0	0	1
Training events	2	0	1	1	1	1

¹ The licensee figure provided in the 2019 AML/CFT report (33) omitted C1AC and C2AC holders but included a licensee currently in liquidation. The documented figures in the 2020 Annual Report have been revised accordingly.

² The "Total new" figure refers to the number of newly licensed entities. An entity may hold a number of eGambling licenses and Category 1 and Category 2 Associate Certificates.

³ The number of licences differs to the number of entities. A relationship manager may have responsibility for a number of licences that is in excess of the number of entities they deal with. Entities with multiple licences utilise the same staff members to handle the regulatory compliance of those licences collectively.

NOTE

Information regarding the composition of the Commission and staff at the Commission is updated in real time on the Commission's website.

In addition a full list of licensees and certificate holders can be found on the Commission's website.

The Commission's website can be found at www.gamblingcontrol.org

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