

Annual Report and Financial Statements

2015



ALDERNEY

GAMBLING CONTROL COMMISSION



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ALDERNEY

GAMBLING CONTROL COMMISSION

25 May, 2016

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

Dear Mr McDowall,

I have pleasure in presenting the Report of the Alderney Gambling Control Commission for the period 1 January to 31 December 2015.

Yours sincerely

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 Report

In 2015 the Commission celebrated 15 years of regulating online gambling on Alderney. Over the years the industry has brought jobs and valuable income not only to Alderney but also the Bailiwick of Guernsey. However the industry is still young and constantly evolving. Each passing year sees new jurisdictions consider how they wish to regulate the sector and we continue to work with them to help shape the future of effective gambling regulation which has at its core the principles of honesty and fairness, player protection and ensuring gambling is free from criminal influence.

The Commission remains committed to co-operation across borders. The MONEYVAL evaluation identified the Commission's engagement in effective national and cross-border co-operation and sharing of information for the purposes of fighting money laundering and terrorist financing. In addition the Commission is an active member of the Gambling Regulator's European Forum (GREF) and I am a member of its Board. The Commission has also been instrumental in the establishment of the International Association of Gambling Regulators (IAGR) Multi-jurisdictional Testing Framework which enables operators to utilise game testing results in participating jurisdictions saving them both time and money without impacting on the high standards expected of operators.

Following introduction of a new licensing regime in the United Kingdom the Commission has worked closely with our fellow Commission to ensure that our mutual licensees are not burdened by duplication of regulation or financially disadvantaged. We have sought to ensure that our inspection regimes complement each other and where revenues are

taxed in the United Kingdom they are excluded from fee calculations in Alderney. This flexible and pragmatic approach demonstrates Alderney's ability to adapt to a changing environment. The Commission maintains its close ties with the United Kingdom's Sports Betting Integrity Unit to remain at the forefront of the fight against match fixing and protecting the integrity of sport.

We are already beginning to see changes to this industry. Consolidation and new licensing regimes are starting to alter the landscape and the Commission, with its experience and commitment to co-operation, remains well placed to support operators' needs in a fluid world by offering credible and high quality regulation tailored to their circumstances. This is the case whether they are start-ups or household names and the initiatives implemented within the Bailiwick to support digital industries will benefit both new and existing licensees.

I could not end this report without wishing André Wilsenach success in his new role as the Executive Director of the International Center for Gaming Regulation at the University of Nevada, Las Vegas. His appointment is a compliment to the quality and effectiveness of the Commission's regulatory regime which he helped establish. The Commission and Alderney are grateful for his efforts over the past 14 years in ensuring Alderney remains at the forefront of remote gambling. I welcome Jorn Starck as the Commission's new Executive Director. His long background in the industry and at the Commission together with experienced staff at the Commission will ensure continuity and stability for our operators.

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 Committee on the introduction or amendment of legislation.

REGULATORY CHANGES

In 2015 there were two changes made to the regulatory framework governing eGambling in Alderney.

The States of Alderney made the Alderney eGambling (Amendment) Ordinance, 2015 to introduce a revised licence and certificate fee structure. This legislation also saw the implementation of a new fee for gambling business associates (GBA). This fee reflects the work necessary to ensure that those who associate with eGambling licensees and Category 2 Associate Certificate holders are suitable entities to be involved in eGambling. In addition the Alderney eGambling (Amendment) Regulations, 2015 were made. These created a mechanism for the reporting of gambling business associates and also specified certain requirements to be considered when approving business associates.

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 those markets and so expand and develop their businesses. The Commission is therefore in discussion with regulators in various countries so as to be kept fully informed on relevant legislative developments and also makes use of specialist consultants to keep the Commission informed of relevant legislative proposals.

During the year the Executive Director worked towards developing more formalised working relationships with other regulators and government departments. During 2015 he signed a letter of intent with the Kansspelautoriteit, the gambling regulator for the Netherlands, as a precursor to a full Memorandum of Understanding at such time as they are able to execute agreements.



Approach to Regulation (continued)

REGULATORY AND LEGISLATIVE COOPERATION

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

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

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

- In February members of the Commission and its staff attended the International Casino Exhibition in London and the Executive Director participated on a panel at the European Online Gaming conference and spoke at the IMGL masterclass on online gambling. The In-House Counsel participated on a panel at the Cybercrime & Regulatory Compliance Conference.
- In April the Executive Director attended the iGaming Conference, North America in Las Vegas and the Global iGaming Summit & Expo in San Francisco.
- In June the Executive Director participated in the International Association of Gaming Attorneys conference in Vancouver and the iGaming Supershow in Amsterdam.
- In July the Executive Director attended the World Gaming Executive Summit in Barcelona.
- In September the Director of Regulatory Operations attended the MONEYVAL plenary meeting in Strasbourg.
- In October the Chairman and Executive Director participated in the International Association of Gaming Regulators Conference and the International Masters of Gaming Law Conference, both in Peru. The Executive Director and the Director of Regulatory Operations attended the European iGaming Expo in Berlin.

Anti-Money Laundering/Combating the Financing of Terrorism



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



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

The Commission follows closely the guidance of the Financial Action Task Force (FATF), an inter-governmental body whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing. In order to meet FATF objectives, organisations are required to maintain comprehensive statistics regarding the effectiveness and efficiency of systems for combating money laundering and terrorist financing. The Commission particularly notes and takes record of suspicious transaction reports by the Commission or its licensees, the details of onsite inspections, as well as any formal requests for assistance relating to AML/CFT issues. During the year 122 suspicious transaction reports were submitted by eGambling licensees and certificate holders and one was submitted by the Commission itself.

The Commission continues to be involved in a number of initiatives aimed at raising awareness of these issues with licensees and the public. During 2015 these included briefing and training sessions for staff and licensees, as well as consultation with other regulatory bodies. The Commission's annual AML/CFT event remains popular with licensees. It covers thematic AML/CFT topics, and features an external subject matter expert who facilitates discussion and debate on global AML/CFT, bribery, and trafficking issues. In addition, the Commission is represented at meetings of the Bailiwick's AML/CFT working groups.

All active licensees are inspected within one year of the approved start of their live operations and then annually thereafter. All inspections incorporate a careful examination of a licensee's AML/CFT procedures using a dedicated AML/CFT inspection template to ensure that they are robust. Each inspection is preceded by a mystery shopping exercise testing the site from the perspective of a player. The on-site inspection will include reviews of player registration, payment systems, player due diligence and other controls used to prevent money laundering and to combat terrorist financing.

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

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

Licensing and Compliance Activity

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

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

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

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

As at 31st December 2015, there were 47 registered licensees consisting of 13 Category 1 licence holders, 15 Category 2 licence holders and 19 holders of both Category 1 and 2 licences. There were 11 Category 2 Associate Certificates (C2AC) in issue, 3 of which were approved in 2015. There were 4 new approved licensees.

Details of the licences and certificates issued in 2015 are as follows:

Category 1 eGambling Licences;

Pari-Match Limited
Hectyc Alderney Limited

Category 2 eGambling Licences;

PKR BtoB Limited
Playson (Alderney) Limited

Category 2 Associate Certificates;

Pari-Match N.V.
High 5 Games (Gibraltar) Limited
Marathon Alderney Limited



Licensing and Compliance Activity (continued)

During 2015, 12 licensees allowed their licences to lapse and 5 Category 2 Associate Certificate holders allowed their certificates to lapse;

Category 1 eGambling Licence;

Kastraki (Alderney) Limited
 Metro Play Limited (surrendered)
 IGT (Alderney 7) Limited
 Ledonford Gaming Services Limited
 Boylesports Alderney Limited
 Totesport Alderney Limited

Category 2 eGambling Licence;

Parlay Games Limited
 Elixir Bet Limited
 Comtrade Gaming Alderney Limited

Category 1 & 2 eGambling Licence;

MCL Limited
 BGO Entertainment Limited (retained Cat 1)
 PKR Limited (retained Cat 1)

Category 2 Associate Certificate;

EveryMatrix Software Limited
 GameDuell GmbH
 Kambi Malta Limited
 Bally Technologies (Gibraltar) Limited
 Soft Construct (Malta) Limited

4 Core Services Associate Certificates were issued to the following:

Betdigital Limited	Galewind Software Corp
Football 1x2 Limited	MX Digital, LLC

Four 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 36.

Alongside licence applications, the Commission also approved 27 key individual applications. Key individuals are those who are deemed to be “in a position to control or exercise significant influence over the business operations conducted under an eGambling Licence, whether or not within the corporate entity exercising the licence”. In order to be approved, key individuals are subject to a rigorous probity investigation involving the examination of professional and personal histories, financial records, as well as appropriate checks through financial intelligence records.



Licensing and Compliance Activity (continued)

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. Two temporary licences were in place at the end of 2015.

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 2015, 742 complaints were received (2014, 1207) and dealt with by the Commission, a decrease on the previous year. In addition to this, the Commission in its capacity as an ADR provider to the British Gambling Commission, dealt with 286 UK player complaints.

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.

One Commission Hearing took place in 2015, following the continued progression of a 2014 complaint. The preliminary determination of the Executive Director was upheld and the complaint dismissed.

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

During the year Commission staff attended the annual conference of GamCare, a UK based charity providing support, information and advice to problem gamblers, and also attended a GamCare training session.

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. Three initial gambling equipment approvals were made in 2015.

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 anti-money laundering procedures;
- procedures for identifying fraudulent, problem or underage gambling.

Five initial ICS approvals were made in 2015.



Licensing and Compliance Activity (continued)

INSPECTIONS

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



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

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

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

During 2015, the compliance team carried out 39 inspections. In the main these demonstrated a high level of regulatory compliance by licensees and reaffirmed the importance of active operational controls.

SPECIAL INVESTIGATIONS

The Commission has the power to conduct a special investigation of a licensee at any time. This may be deemed necessary to confirm or review a licensee's operation, or where there are concerns regarding operational issues. While some of these may be conducted by visiting the licensee's premises, they can also be carried out remotely. The findings from a special investigation may lead to a speedy resolution of any underlying causes for concern, or in some instances the issuance of further sanctions. No special investigations were instigated in 2015 although one special investigation commenced in 2014 and continued into 2015.

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. During the year the Commission issued a number of sanctions. The holder of Category 1 and 2 eGambling Licences and three of its key individuals received a formal caution. In addition the holder of a Core Services Associate Certificate was also issued with a formal caution.



Licensing and Compliance Activity (continued)

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 was one regulatory hearing called during 2015. The licence holder in question was suspended in advance of the hearing; the licence was subsequently surrendered.

SEGREGATION OF PLAYER FUNDS

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

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

Licensees are required to submit quarterly financial reports and monthly operational reports covering matters such as player activity, suspicious transactions, reversed transactions, and manual adjustments to customer funds. These are closely reviewed by the Commission, with any potentially contentious issues being flagged for further consideration. Licensees are also required to carry out a fully independent financial audit each year and to submit their audited accounts to the Commission.

This requirement provides general assurance that operators have sufficient resources to continue operations for at least three months, in addition to segregating all customer funds. The Commission must be satisfied that acceptable arrangements to satisfy this requirement are in place before the licensee can gain approval for full activation of their operations.

THE ALDERNEY GAMBLING LICENSEES FORUM

In 2015 a decision was taken to disband the Alderney Gambling Licensees' Forum. The reason for this is that other fora exist to deal with thematic issues including AML/CFT specific issues and other matters on an ad hoc basis.

TRAINING AND INFORMATION SESSIONS

In October 2015 an AML/CFT training and information session was held for licensees. This was the eighth such session organised by the Commission and is now a regular fixture in the Commission's calendar. Representatives from newly operational licensees are required to attend; representatives from all other licensees were invited to attend on a voluntary basis. The meeting was attended by 46 delegates from 30 licensees. The Commission welcomes the importance licensees place upon this subject.

Technical Activity

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

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

In addition in 2015 the Commission formed part of a Multi-jurisdiction Testing Framework under the auspices of the International Association of Gaming Regulators Working Group with the Isle of Man, Denmark and the United Kingdom. This move towards harmonising testing requirements increases the speed at which games can be approved for release as well as minimising costs and regulatory duplication.

Alderney Gambling Control Commission Financial Statements as at 31 December 2015

Statement of the Commission's Responsibilities

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

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

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

The Commission 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 following persons served on the Commission during the year under review:

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

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

We have audited the financial statements of Alderney Gambling Control Commission (the "Commission") for the year ended 31 December 2015 which comprise the Statement of Financial Position, Statement of Comprehensive Income and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

RESPECTIVE RESPONSIBILITIES OF COMMISSIONERS AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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



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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements give a true and fair view of the state of the Commission's affairs as at 31 December 2015 and of its deficit for the year then ended in accordance with United Kingdom Accounting Standards.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

KPMG Channel Islands Limited

KPMG Channel Islands Limited
Chartered Accountants
Guernsey

8 April 2016

Statement of Financial Position as at 31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Computer, office equipment & furniture		46,449	72,872
Leasehold		209,811	268,656
Web hosting		70,286	109,767
	3&4	326,546	451,295
Current assets			
Cash at bank and in hand	5	2,363,770	2,703,914
Prepayments		14,078	4,429
		2,377,848	2,708,343
Creditors: amounts falling due within one year	6	(801,157)	(981,512)
Net current assets		1,576,691	1,726,831
Total assets less current liabilities		1,903,237	2,178,126
Capital and reserves			
Retained surplus brought forward		2,178,126	1,975,633
Net (deficit)/surplus for the year		(274,889)	202,493
Retained surplus		1,903,237	2,178,126

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

The financial statements on pages 18 to 24 were approved by Alderney Gambling Control Commission on 5th April 2016 and signed on its behalf by:



Lord Richard Faulkner
Chairman

Statement of Comprehensive Income for the year ended 31 December 2015

	Note	2015 £	2014 £
Income			
Licence fees	3	4,370,500	4,650,000
Fees charged to clients		461,132	617,974
Bank interest		7,448	10,006
		<u>4,839,080</u>	<u>5,277,980</u>
Expenditure			
Staff costs	8	1,828,208	1,900,177
Commissioners' fees	7	115,858	114,079
Premises, furniture and equipment		80,764	82,498
Web hosting		92,825	88,882
Consultancy		79,184	169,972
Conferences and general travel		126,034	152,887
Postage, stationery and telephone		34,127	41,493
Administrative expenses		138,090	145,283
Depreciation	4	153,017	150,099
		<u>2,648,107</u>	<u>2,845,370</u>
Funds transferred to the States of Alderney	10	2,465,862	2,230,117
Total comprehensive income for the year		<u>(274,889)</u>	<u>202,493</u>

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

Notes to the Financial Statements for the year ended 31 December 2015

1. Reporting Entity

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

2. Basis of Preparation

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

In the transition to FRS 102 from old UK GAAP, the AGCC has made no measurement and recognition adjustments. An explanation of how the transition has effected the reported financial position and financial performance is made in note 12.

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

The financial statements are prepared on the historical cost basis.

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

3. Significant Accounting Policies

Licence and certificate fees

Under the terms of The Alderney eGambling 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.

Expenses

Expenses are accounted for on an accruals basis.

Tangible Fixed Assets

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

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

- Furniture and equipment 4 years
- Computer hardware and operating systems 3 years
- Web hosting hardware and operating systems 3 years
- Leasehold 10 years

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



Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since 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

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 2015 (continued)

4. Fixed assets

	Equipment & Furniture £	Leasehold £	Web Hosting £	Total £
Cost				
At 1 January 2015	322,372	640,557	345,068	1,307,997
Additions	16,259	5,379	6,630	28,268
At 31 December 2015	338,631	645,936	351,698	1,336,265
Depreciation				
At 1 January 2015	249,500	371,901	235,301	856,702
Charge for year	42,682	64,224	46,111	153,017
At 31 December 2015	292,182	436,125	281,412	1,009,719
Net book value				
At 31 December 2015	46,449	209,811	70,286	326,546
At 31 December 2014	72,872	268,656	109,767	451,295

5. Cash at bank and in hand

	2015 £	2014 £
Cash at bank:		
Business reserve account	452,570	565,807
Applicant and Licensee deposit account	642,702	959,490
Treasury accounts	1,000,017	1,000,017
Current account	268,331	178,580
Petty cash	150	20
	2,363,770	2,703,914

The Commission employs the use of a NatWest credit card facility for £75,000. Any use of this facility is paid off in full on a monthly basis. There was no amount owed at the year end.



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

6. Creditors: amounts falling due within one year

	2015	2014
	£	£
Refundable deposits	493,107	622,544
Creditors and accruals	308,050	358,968
	<u>801,157</u>	<u>981,512</u>

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

7. Commissioners' fees

In accordance with the Gambling (Alderney) Law 1999, as amended, the States of Alderney ultimately meets the fees and expenses of the Commissioners, including the Chairman.

8. Staff costs

Included in the staff costs are pension contributions. A defined contributions pension scheme, together with life assurance cover, is provided for employees. The scheme is administered by Gower Limited in Guernsey and was started in May 2002. The scheme requires employees to contribute 6% of gross salary to the scheme and the Commission contributes a minimum 7.5% of gross salary to the scheme on the employees' behalf. The annual pension contribution of £159,715 (2014: £160,853) is included in staff costs. At the year-end there were no prepaid or outstanding contributions (2014: £nil).

During the year the average number of employees was 20 (2014: 20).

9. Operating lease

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

The rental amounts for 2015 charged to the Income statement and included in premises, furniture and equipment expenditure were £47,219 (2014: £46,685).

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

Non-cancellable operating lease rentals are payable as follows:

	2015	2014
Less than 1 year	£47,219	£46,685
Between 1 and 5 years	£59,024	£106,243
More than 5 years	£0	£0

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



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

10. Transfers to the States of Alderney

During 2015 the States of Alderney received transfers from the retained surplus of £2,465,862 (2014 - £2,230,017).

11. Guernsey Income Tax

The Commission is not subject to Guernsey Income Tax.

12. Explanation of transition to FRS 102

As stated in note 2, these are AGCC's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended December 2014 and in the preparation of an opening FRS 102 statement of financial position at 1 January 2014, (the Commission's date of transition).

The Commission has undertaken an assessment of the impact of adoption of FRS 102 and has concluded that there are no impacts with regards to the recognition and measurement of assets, liabilities, income and expense on adoption of FRS 102.

Disclosure and presentation has been amended to conform to the requirements of FRS 102.

13. Subsequent events

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

Statistics



	2015	2014	2013	2012	2011	2010
Number of licensees	54	53	52	57	51	51
New licenses issued	Cat 1 2 Cat 2 2 C2AC 3 Total new 7	Cat 1 8 Cat 2 8 C2AC 4 Total new 9	Cat 1 4 Cat 2 4 C2AC 1 Total new 6	Cat 1 10 Cat 2 10 FGAC 4 Total new 19	Cat 1 9 Cat 2 8 FGAC 5 Total new 15	Cat 1 5 Cat 2 7 FGAC 0 Total new 7
No. licence apps refused	0	0	0	0	1	0
ICS Initial approvals	5	8	11	6	15	8
Inspections	39	51	45	38	30	27
Licensee/Compliance staff ratio	5:1	5:1	6:1	6:1	6:1	6:1
Special investigations	0	4	2	5	1	2
Sanctions and AML/CFT remedial measures	47	90	84	78	102	57
Revocations	0	1	0	0	3	0
STR's copied	122 in total 77 eCasino 45 eGambling	87 in total 78 eCasino 9 eGambling	94 in total 81 eCasino 13 eGambling	38	15	64
STR's submitted	1	4	1	6 of which 3 were linked	2	2
Training events	1	1	1	1	1	1

NOTE

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

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

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

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