

2017

Jersey Gambling Commission Annual Report and Accounts



CONTENTS

Chairman’s Statement	2
Chief Executive’s Statement	3
The Board	4
The Executive	5
Licensing and Regulation	6
Approach to Regulation	6
Regulatory Review 2017	7
Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT)	8
Social Responsibility	9
Self-Exclusion	10
Financial Commentary	10
Audited Financial Statements	11

Note: Please refer to separate contents page for Audited Financial Statements from page 11 onwards

Chairman's Statement

It is my pleasure to present this, the seventh Annual Report of the Jersey Gambling Commission. During 2017, the Board of Commissioners continued its programme of purposeful engagement at political level and across the spectrum of stakeholders, both within Jersey and overseas.

The Board of Commissioners regards the need for close knowledge of its licensees, and the industry within which they function, as axiomatic; so too knowledge of legislative and practical developments in other relevant jurisdictions. Beyond that, effective regulation requires an open and continuing dialogue between the Commission and government so that policy development and mutual support move forward on a rational basis which is mutually understood. To that end and in accordance with previous years, the Board continued to meet regularly with the Minister of Economic Development, Tourism, Sport and Culture, his Assistant Ministers and officers to discuss individual matters of governance and to be briefed on wider government policy.

During the summer the Board was pleased to support the Minister in his delivery of the Super League Triathlon visit to Jersey by issuing a special licence to permit the event sponsor to display advertising which was to be visible during the television coverage. This was done at short notice and was vital to the staging of the event. I mention this as no more than a small but telling example of how regulator and government can work together for the benefit of Jersey and the public purse.

The Gambling Commission (Jersey) Law 2010 also provides the Commission with a wider advisory role and as part of this duty the Chief Executive and I met the Economic Affairs Scrutiny Panel in May to explain to the Panel the work of the Commission and comment on the state of the industry, together with possible areas where the sector might be capable of growth in support of the government's plans for economic diversity and job creation. Several members of the Board of Commissioners also attended a meeting of the Parliamentary All-Party Betting and Gaming Group that was held to coincide with the ICE industry exhibition in London. Relationships with Regulators from other jurisdictions were maintained and refreshed at these events.

As noted previously, the Commission places great emphasis on its relationship with other gambling regulators overseas and allied regulators in different sectors. The Commission has, therefore, continued to build its network of Memoranda of Understanding, signing an agreement with the Jersey Financial Services Commission (JFSC) in October. The relationship with the JFSC is one on which the Board places a particular premium given that organisation's responsibility as the designated body for Anti-Money Laundering in the casino industry. In that connection, I make particular mention of the close working relationship already evident in the joint work of both Commissions on the Island's National Risk Assessment in preparation for implementation of the 4th EU Anti-Money Laundering Directive.

The gambling industry in Jersey, as overseas, remains dynamic and innovative and Jersey is fortunate to have been the jurisdiction of choice for a number of online operators. Of these, it was a pleasure to receive representatives of the Mohawk Council of Chiefs from Kahnawake, Canada, during their summer visit to the Island and to witness their courteous and congenial reception at political level. Of equal note was the return visit by executive representatives of the JGC to examine first-hand the regulatory arrangements in the home jurisdiction.

Throughout the period under review, the Commission maintained its risk averse and cautious regulatory approach while remaining open to sensible licensing applications with the potential to introduce a level of diversification into the Jersey economy. Once again I wish to mention the dedication and professionalism of the executive officers of the Commission under the leadership of the Chief Executive; their work continues to be of the highest quality and is greatly valued. So too should mention be made of my fellow Commissioners for the wisdom and strategic guidance which they unstintingly provide in constituting a Board which is notably well able to acquit its statutory remit in the best interests of the community.

I commend this report to the Minister and respectfully request that it be forwarded for submission to the States.

Advocate Cyril Whelan
Chairman

Chief Executive's Statement

Given the task of operating the Commission at nil cost to the taxpayer, one of my primary objectives must be to match regulatory need to revenue as closely as possible. After investment in new offices and equipment in the previous year which caused a modest increase of expenditure over revenue, I am pleased to report that the Commission has returned to a small annual surplus (£57,676). In line with our finance policy, this will be added to our operating reserve.

Licensing remains an important part of the Commission's remit and the industry is slowly evolving with growth in the remote space and a modest decline in terrestrial bookmaking. Common to both, however, is the need for effective supervision and regulation and ensuring the protection of the young and the vulnerable. I am pleased to report that after some initial difficulties in establishing effective lines of communication with government departments, the Commission is in a stronger position to deliver its social responsibility duties, requiring as it does stakeholder participation and effective partnerships.

Although a small sector in terms of the overall economy, the potential negative impact for the Island of poor regulation or licensee failings requires a high degree of integration with wider government policy in terms of supervision and adherence to international standards. The Commission is pleased to be party to governmental policy in terms of its international responsibilities and as part of that sits on the government's Financial Crime Strategy Group. Commission personnel are also strongly engaged in work to prepare the Island's National Risk Assessment along with colleagues from the Financial Services Commission and the Government of Jersey.

As noted by the Chairman, regular meetings with the Minister and his officials, together with other politicians ensure that the statutory responsibilities of the Commission are understood and supported and that the Commission is kept abreast of developments in governmental policy that might impact upon its duties. Both the Board and its executive continue to encourage dialogue with the licensed industry, but also individuals from other sectors of the Jersey economy, most notably in the finance sector. The work that the Commission is currently undertaking in supporting the Government and the financial services regulator in preparing for the Island's first National Risk Assessment will be an invaluable exercise in demonstrating the robust systems employed by the gambling industry in terms of their Anti-Money Laundering processes and the transparent and auditable monitoring of business transactions, most especially around the movement of funds.

Work with international colleagues remains an important feature of daily business of the Commission. Both the International Association of Gaming Regulators (IAGR) and the Gaming Regulators European Forum (GREF) provide a valuable resource of information and experience from across the world. Of particular importance are those jurisdictions with which Jersey shares licensees and to that end visits were undertaken to liaise with both the Isle of Man Gambling Supervision Commission and the Gambling Commission of the United Kingdom. The close support of these and other colleagues is greatly appreciated.

Dr Jason Lane
Chief Executive

The Board



CYRIL WHELAN
CHAIRMAN



DEBBIE SEBIRE
COMMISSIONER



MATTHEW SWAN
COMMISSIONER

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

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

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

The Executive

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



JASON LANE
CHIEF EXECUTIVE



DAVID EVANS
DEPUTY CHIEF EXECUTIVE

Jason started his career as a gaming regulator in 2001 within the Jersey Civil Service. As part of governmental reforms in 2003 gambling became part of the newly formed Economic Development Department and Jason took responsibility for a wider set of regulatory functions as Director of Regulatory Services. Jason left the civil service and became Chief Executive of the independent Jersey Gambling Commission on its inception in 2010. Jason has degrees in Politics, International Studies and a PhD in Policing. He is a former Chairman of GREF (2014-16) an active participant in the IAGR e-gaming working group and a member of the International Masters of Gaming Law. In 2014 Jason was appointed by the Minister for Home Affairs as a founding Board Member of the Jersey Police Authority, becoming Deputy Chairman in 2015 and Chairman in 2017. As well as overall responsibility for the operation of the Authority, he has personal oversight of performance management and workforce management, firearms and succession planning within the States of Jersey Police.

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

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

Licensing and Regulation

The Commission licences and regulates four main areas:

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

Articles 8 & 9: Gambling (Jersey) Law 2012

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

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

Approach to Regulation

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

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

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

Regulatory Review 2017

Commercial

2017 has been a challenging year for the bookmaking sector commercially as costs continue to rise while competition within and across the industry increases. The Island lost one of its most well established and well known bookmakers with the passing of Ron Vaughan in September. Ron was an old school bookmaker who knew all his customers personally and could work the odds in his head effortlessly. A frequent visitor to the Commission, Ron was a great source of industry knowledge, an excellent sounding board of new policy ideas or regulatory issues and was never afraid to say what he thought. He will be greatly missed.

As of December 2017, the terrestrial industry in the Island is made up of 6 Class I Bookmakers (operating 91 gaming machines), 4 Class II (on course) Bookmakers, a Parimutuel Operator (Jersey Race Club), 2 Crown and Anchor Operators (30 permissions granted), 30 Thrift Clubs, 3 Hosting Providers, a Gambling Software Provider and 2 Personal Gambling Licence Holders. There is also a seasonal 'amusement with prizes' licence awarded for the summer season (6 events) as well as 43 lower-stake gambling machines licensed to operate in pubs, clubs and restaurants and one higher-stake (Class 4) machine in a private members' club. Commercial enterprises have been able to apply for a Promotional Prize Lottery permit since 2015 and 4 were granted in the period.

In line with the Commission's inspection policy, all Licenced Betting Offices received a minimum of 1 Full Inspection, with a small number receiving additional *ad hoc* or thematic inspections. No major issues were identified. All holders of Class 1 and Class 2 Bookmakers Licences are also required to complete and return to the Commission an annual Regulatory Return which provides data of gambling operations over the course of the year. This is an invaluable record of the state of the industry and provides a measure not just of business but more importantly the levels of self-exclusions and other social responsibility data.

Levels of Thrift Club activity vary year on year and, given the part-time nature of these operations, analysis of these returns invariably show variations in the standard of record keeping and the amount of gambling conducted. Licensing costs for Thrift Clubs are judged according to the previous years' profits with those up to £5,000 attracting a fee of £25, profits up to £10,000 pay a £75 fee, while those with profits in excess of that level pay £150. The great majority of thrift clubs fall into the first category. Changes to the criminal record checking system late in 2017 mean that it will be necessary for all responsible individuals running Thrift Clubs (in the region of 60 individuals) to be re-vetted in 2018 to bring them in line with the new requirements.

While not yet reflected in the overall total of licensees, there has been a marked increase in activity and interest in the remote gambling sector. The promotional work carried out by the Jersey eGaming Group has undoubtedly raised Jersey's profile in this sector and during the year one of the Commission's temporary licensees was granted a full 5 year Remote Gambling Operators licence while work continues on finalising the remaining one. A further licence was received and will be processed in the early part of 2018. The Commission currently supervises five remote operator licensees and three Platform Providers. A list of all licensees is published on the Commission's website.

One application for a Platform Providers Permit suspended late in 2016 at the applicant's request, was ultimately withdrawn due to significant changes in the company's structure and personnel. With at least one additional application expected early in 2018, the Commission notes some signs of growth apparent in the remote sector. Engagement with Government agencies such as Locate Jersey will be vital to ensure the continued support and development of this sector. The Commission currently attends meetings of the Jersey E-Gaming Group in an advisory capacity to answer questions and ensure that regulatory requirements are understood and kept under review. Regular meetings are also held with the Minister for Economic Development, Tourism, Sport and Culture and his officials.

Charitable

The Commission processed and approved 79 Charitable Registrations in 2017 (a small increase on the 2016 figure of 74). The revisions made in 2016 to the Charitable Policy and Advice Notice (along with the Commissions engagement with the sector), have demonstrably assisted in raising awareness of the requirements that apply to this sector. Whilst the Commission continued to receive regular queries about using gambling to raise money for good causes, it was clear that those calling the Commission had found, read and (more importantly) understood, the documents published on our website. The Commission always encourages fund raisers to read the advice on its website, but the executive are always on hand to assist where necessary.

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

The Commission is not a Supervisory Body under Jersey Proceeds of Crime legislation, that role being undertaken by the Jersey Financial Services Commission. However, applications for Schedule 2 Registration under the Proceeds of Crime (Supervisory Bodies) (Jersey) Law 2008 have shown that there is a good working relationship between the two regulatory bodies and this will only deepen as the number of licensees increase. To formalise this working relationship a Memorandum of Understanding (MoU) was signed between the JGC and JFSC in October 2017. It is important to state that while not a designated body under the Proceeds of Crime (Supervisory Bodies) (Jersey) Law 2008 as the Commission had not then been formed, it nevertheless supervises and ensures that AML/CFT provisions are complied with by all its licensees, not merely the casino sector.

The JGC continues to attend monthly meetings of the Jersey Financial Crime Strategy Group, and also participates in similar themed forums of the International Association of Gambling Regulators.

The JGC will also actively participate in the National Risk Assessment (NRA), a lengthy exercise to assess Jersey's vulnerability to money laundering and terrorist financing. Preparatory stage meetings were held throughout 2017, including a conference call with the World Bank; this organization is supplying analytical software and training to undertake the assessment. The NRA will commence in earnest throughout 2018, and all permutations of gambling will be risk assessed, and certain key sectors of commercial gambling operations will be invited to participate in the assessment.

With the exception of casino business (covered by Schedule 2 of the Proceeds of Crime (Supervisory Bodies) (Jersey) Law 2008 as noted above), all other commercial gambling is subject to mandatory conditions under Article 16 of the Law which is further enhanced by policies governing dedicated licenses. The JGC has long taken the view that the general application of the Proceeds of Crime Law applies to all licensees and systems for the recognition of suspicious activity, and reporting must be in place. All applicants for a commercial gambling licence must be able to demonstrate robust AML systems, and regular training in these systems if a licence is to be granted.

As part of its monitoring functions, the Commission follows up with the States of Jersey Police and licensees all reported crime and disorder related to gambling, particularly in cases where gambling is offered as mitigation for theft, fraud or other acts of dishonesty. In circumstances where the defendant cites online gambling, the JGC activates the terms of its various MoUs to ascertain the veracity of these claims as well as to notify allied regulators of these cases and the potential involvement of their licensees.

Social Responsibility

One of the key duties placed on the Commission by the Gambling Commission (Jersey) Law 2010 is to maintain a social responsibility function, namely:

- a) protect children and other vulnerable persons from addiction to gambling and from other forms of harm associated with gambling;
- b) make assistance available to persons who are or may be affected by problems related to excessive gambling; and
- c) otherwise avoid and reduce problems related to gambling.

To fulfill these criteria, the JGC has corresponded with several departments including Health, Education and the Chief Minister's Department. The Commission needs the practical assistance of relevant government agencies in identifying the most effective means of acquitting its responsibilities in this area. As indicated at p3, despite its best efforts the Commission has not always been favoured with the necessary level of engagement on the part of those agencies. There are encouraging signs of improvement on this front, and the fact that the Commission has funded highly relevant training for public sector employees which was not otherwise available to them gives rise to the hope that closer working partnerships in this area will remain the order of the day. The training in question is described in the following paragraph.

The JGC worked closely with the Director for Psychology and Talking Therapies throughout 2017 ultimately funding a course called 'Motivational Interviewing and the Stages of Change' ran by specialists from the Association for Psychological Therapies. This was a 2 day course for front line staff with the aim of getting people to recognise problem behaviours and support clients in finding solutions. There were about 30 attendees per 2 day course and the training therefore reached about 60 professionals. The Commission was glad to provide funding for the public sector in that way, relieving the need for any call on the exchequer in this vital area.

The attendees were psychologists within various disciplines, counsellors, psychological therapists, medicos, prison workers and those who work with substance misuse. As the course was oversubscribed, repeat training sessions are planned for 2018. This training was funded by the Social Responsibility Fund. All licensees located in the Island must pay into this dedicated Fund, especially those operators directly contracting with Jersey residents. Remote licensees may elect to fund charities and help organizations dedicated to the promotion of responsible gambling and the treatment of problem gambling in those countries more representative of their client base.

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

At the close of the year, there was £68,966 in the Fund, up slightly from £64,109 in 2016. During 2017 £11,500 from the Fund was utilised to pay for the specialist training in gambling addiction therapy noted above. As indicated above, the Commission will continue to press for engagement on a partnership basis with public sector agencies to identify ways in which the funds can effectively be applied to achieve the most practical outcomes.

Self-Exclusion

Part of the data required from licensees is an annual return stating the numbers and changes in self-exclusions, that is, people who take the initiative to stop gambling and sign a statement with an operator noting their desire to stop gambling which the operator is contractually bound to honour. In the terrestrial bookmaking sector 118 new self-exclusions were made across the whole Jersey estate during 2017, an overall decrease on the year before (136). As an individual must self-exclude from several operators if they wish to stop gambling, inspections have confirmed duplication in these numbers, e.g. the same person across six operators. Therefore, the self-exclusion figure noted above is likely to represent a much smaller group of people who have elected to exclude across the estate.

In October of 2017, William Hill, Joe Jennings, Ladbrokes and E-Coomes (in conjunction with the software/game providers) introduced voluntary Gaming Machine Player Protection controls to their suite of Social Responsibility measures. The new controls provided additional protection (through automated alerts and staff/customer interactions) for any customer wishing to play above £50 in a single bet. This measure is welcome and provides further safeguards for those players who wish to hazard larger stakes.

Gambling Therapy

Since 2013, the Commission has utilised the Social Responsibility Fund to support Gambling Therapy (GT) and actively promoted the services offered via a dedicated Jersey webpage through posters and leaflets for this service. These are available at all Licenced Betting Offices and were also distributed to Parish Halls, Citizen's Advice Bureau and the Library. The Jersey site can be accessed via <http://www.gamblingtherapy.je/>. The Commission will continue to request evidence and assessment from Health and Social Services as well as the Third Sector, for ways in which help can be brought to bear for those Islanders in need.

Financial Commentary

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

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

The following Accounts provide an overview of the Commission's income and expenditure for 2017 in accordance with Section 1a of Financial Reporting Standard 102.

As noted in the Chief Executive's introductory statement, the Commission has reported an operating surplus for the year of £57,676. The Commission continues to invest in the training and development of its staff and in technology and infrastructure required to deliver its statutory duties. Licence Fee income has seen a modest increase year on year and the Commission has further benefitted from reduced Commissioners fees agreed between the Board and the Minister upon appointment.

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

AUDITED FINANCIAL STATEMENTS OF

JERSEY GAMBLING COMMISSION

FOR THE YEAR ENDED

31 DECEMBER 2017

**JERSEY GAMBLING COMMISSION
FOR THE YEAR ENDED 31 DECEMBER 2017**

CONTENTS	PAGE
Commissioners' report	13
Independent auditor's report to the Comptroller and Auditor General	15
Statement of comprehensive income and retained earnings	18
Statement of financial position	19
Notes to the financial statements	20

JERSEY GAMBLING COMMISSION COMMISSIONERS' REPORT

The commissioners present their report and the audited financial statements of the Jersey Gambling Commission (the "Commission") for the year ended 31 December 2017.

INCORPORATION

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

COMMISSIONERS

The commissioners who served during the year were as follows:

Advocate C Whelan

Ms D Sebire

Advocate M Swan

RESULTS

The financial statements provide an overview of the Commission's income and expenditure for 2017. The Commission is pleased to report a surplus for the year of £57,676 (2016: deficit £15,777).

GOING CONCERN

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

REGULATIONS

This report has been prepared in accordance with Section 1a of Financial Reporting Standard 102 ("FRS 102") and the requirements of the Gambling Commission (Jersey) Law 2010.

SOCIAL RESPONSIBILITY FUND

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

COMMISSIONERS' RESPONSIBILITIES

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

**JERSEY GAMBLING COMMISSION
COMMISSIONERS' RESPONSIBILITIES (continued)**

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

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

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

The commissioners are responsible for keeping adequate accounting records that are sufficient to show and explain the Commission's transactions and disclose with reasonable accuracy at any time the financial position of the Commission and enable them to ensure that the financial statements comply with the Gambling Commission (Jersey) Law 2010. They are also responsible for safeguarding the assets of the Commission and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

AUDITOR

The Comptroller and Auditor-General exercised her power under Article 18(4)(a) of the Gambling Commission (Jersey) Law 2010 (as amended by Article 27 of the Comptroller and Auditor General (Jersey) Law 2014), to appoint Deloitte LLP as auditor of the Jersey Gambling Commission for the years ending 31 December 2016 to 31 December 2019.

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

Signed on behalf of the Commission

.....
Dr Jason Lane
Chief Executive

Approved on

JERSEY GAMBLING COMMISSION

Independent auditor's report to the Comptroller and Auditor General Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the commission's affairs as at 31 December 2017 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" applicable to Small Entities; and
- have been properly prepared in accordance with the requirements of the Gambling Commission (Jersey) Law 2010.

We have audited the financial statements of Jersey Gambling Commission (the 'commission') which comprise:

- the statement of comprehensive income and retained earnings;
- the statement of financial position; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) applicable to Small Entities and the requirements of the Gambling Commission (Jersey) Law 2010.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) 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 the UK, including the FRC's Ethical Standard, 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.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the commissioners' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the commissioners have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the commission's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The commissioners are responsible for the other information. The other information comprises the information included in the commissioners' report of the directors, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and 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 respect of these matters.

Responsibilities of commissioners

As explained more fully in the commissioners' responsibilities statement, the commissioners are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 directors 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 (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Comptroller and Auditor General, in accordance with Article 18(4) of the Gambling Commission (Jersey) Law 2010. Our audit work has been undertaken so that we might state to the Comptroller and Auditor General those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the commission and the commission's members as a body, for our audit work, for this report, or for the opinions we have formed.

Greg Branch, BSc, FCA
For and on behalf of Deloitte LLP
St. Helier, Jersey
25th July 2018

**JERSEY GAMBLING COMMISSION
FOR THE YEAR ENDED 31 DECEMBER 2017**

**STATEMENT OF COMPREHENSIVE INCOME AND
RETAINED EARNINGS**

	Notes	2017 £	2016 £
TURNOVER	4	<u>565,506</u>	<u>538,301</u>
EXPENSES			
Administrative expenses		<u>508,553</u>	<u>554,833</u>
SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		56,953	(16,532)
Interest receivable and similar income		<u>723</u>	<u>755</u>
SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAXATION	6	57,676	(15,777)
TAXATION	7	<u>-</u>	<u>-</u>
SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE INCOME		<u>57,676</u>	<u>(15,777)</u>
RETAINED SURPLUS AT 1 JANUARY		<u>249,584</u>	<u>265,361</u>
RETAINED SURPLUS AT 31 DECEMBER		<u>307,260</u>	<u>249,584</u>

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

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

**JERSEY GAMBLING COMMISSION
AS AT 31 DECEMBER 2017**

	Notes	2017	2016
STATEMENT OF FINANCIAL POSITION			
		£	£
FIXED ASSETS			
Property, plant and equipment	8	<u>10,221</u>	<u>9,918</u>
CURRENT ASSETS			
Trade and other receivables	9	481,086	461,483
Cash and cash equivalents	10	<u>397,559</u>	<u>383,684</u>
		<u>878,645</u>	<u>845,167</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Trade and other payables	11	<u>512,640</u>	<u>541,392</u>
		<u>512,640</u>	<u>541,392</u>
NET CURRENT ASSETS			
		<u>366,005</u>	<u>303,775</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>376,226</u>	<u>313,693</u>
NET ASSETS			
		<u>376,226</u>	<u>313,693</u>
ACCUMULATED RESERVES			
Social Responsibility Fund	12	68,966	64,109
Income and Expenditure Account		<u>307,260</u>	<u>249,584</u>
		<u>376,226</u>	<u>313,693</u>

The financial statements on pages 18 to 27 have been prepared in accordance with the Gambling Commission (Jersey) Law 2010 and Section 1a of Financial Reporting Standard 102.

The accounts were approved and authorised for issue on 25th July 2018 by the Jersey Gambling Commission and signed on its behalf by:

Dr Jason Lane
Chief Executive

NOTES TO THE FINANCIAL STATEMENTS

1 General Information

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

2 Statement of compliance

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

3 Summary of significant accounting policies

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

The financial statements are prepared in Pounds Sterling (GBP) which is the functional and presentational currency of the Commission.

Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention. The Commission has applied the small entities regime under FRS 102(1A), which allows qualifying entities certain disclosure exemptions. The Commission has taken advantage of the exemption from preparing a statement of cash flows under paragraph 7.1b.

Accounting estimates

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

3 Summary of significant accounting policies (continued)

Going concern

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

Revenue recognition

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

Licence fees

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

Social permits and registrations

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

Pension costs

Staff initially employed by the States of Jersey before 3 September 2010 of which there are two are members of the Public Employees Contributory Retirement Scheme ("PERCRS") which, whilst a final salary scheme, is not a conventional defined benefit scheme because the employer is not necessarily responsible for meeting any on-going deficit in the scheme. The assets are held separately from those of the States of Jersey. Contribution rates are determined by an independent qualified actuary so as to spread the costs of providing benefits over the members' expected service lives.

Because the Commission is unable to readily identify its share of underlying assets and liabilities of PERCRS, contributions to the scheme have been accounted for as if they are contributions to a defined contribution scheme at a rate of 13.6% (2016 13.6%). This rate is the expected to continue to be payable during 2018.

Actuarial valuations are performed on a triennial basis; the most recently published was the PERCRS Actuarial Valuation for 31 December 2016 on 16 March 2018. The main purposes of the valuations are to review the operation of the scheme, to report on its financial condition, and to confirm the adequacy of the contributions to support the scheme benefits. Copies of the latest annual accounts of the scheme, and States of Jersey, may be obtained from the States Treasury, Cyril Le Marquand House, The Parade, St Helier, JE4 8UL or online at:

www.gov.je/Working/WorkingForTheStates/Pensions/PublicEmployeePensionFund/Pages/PublicServicePensionPublications.aspx

JERSEY GAMBLING COMMISSION
FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE FINANCIAL STATEMENTS (continued)

3 Summary of significant accounting policies (continued)

Expenses

Expenses are accounted for on an accruals basis.

Property, plant and equipment

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

Repairs and maintenance costs are expensed as incurred.

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

Depreciation

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

Website costs	Over an estimated useful life of 3 years
Computer equipment	Over an estimated useful life of 3 years
Fixture & fittings	Over an estimated useful life of 5 years

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

Financial instruments

The Commission has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

3 Summary of significant accounting policies (continued)

(i) Financial Assets

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

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

(ii) Financial liabilities

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

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

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

Cash and cash equivalents

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

Provisions

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

Contingencies

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

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

JERSEY GAMBLING COMMISSION
FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE FINANCIAL STATEMENTS (continued)

4	Analysis of turnover by category	2017	2016
		£	£
	Licence fees	559,871	533,206
	Social permits	968	620
	Social registrations	1,540	1,500
	Software designers permits	1,250	1,250
	Other income	1,877	1,725
		<u>565,506</u>	<u>538,301</u>
5	Payroll costs	2017	2016
		£	£
	Staff salaries	312,169	301,252
	Commissioners' fees	42,000	84,500
	Employer pension contributions	25,063	25,160
		<u>379,232</u>	<u>410,912</u>
		2017	2016
	Number of permanent staff employed during the year	<u>5</u>	<u>5</u>
6	Surplus for the financial year		
	Surplus for the financial year is stated after charging:	2017	2016
		£	£
	Auditors remuneration	9,700	6,700
	Depreciation	5,968	6,455
		<u>15,668</u>	<u>13,155</u>

JERSEY GAMBLING COMMISSION
FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE FINANCIAL STATEMENTS (continued)

7 Taxation

Article 17 of the Gambling Commission (Jersey) Law 2010 provides that the income of the Commission shall not be liable to income tax under the Income Tax (Jersey) Law 1961. The Commission is registered for Goods and Services Tax (GST) under The Goods and Services Tax (Jersey) Law 2007. At the year ended 31 December 2017 the Commission was due a repayment of £1,380 (2016: £1,027).

8 Property, plant and equipment

	Website Costs £	Computer Equipment £	Fixture & fittings £	Total £
<i>Cost</i>				
Balance brought forward	9,738	27,418	1,500	38,656
Additions	4,800	1,471	-	6,271
Balance carried forward	14,538	28,889	1,500	44,927
<i>Depreciation</i>				
Balance brought forward	8,022	20,541	175	28,738
Charge for the year	2,485	3,183	300	5,968
Balance carried forward	10,507	23,724	475	34,706
<i>Net book value</i>				
Balance carried forward	4,031	5,165	1,025	10,221
Balance brought forward	1,716	6,877	1,325	9,918

9 Trade and other receivables

	2017 £	2016 £
Licence fees receivable	457,595	444,223
Other debtors	23,491	17,260
	481,086	461,483

All debtors are receivable within one year.

JERSEY GAMBLING COMMISSION
FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE FINANCIAL STATEMENTS (continued)

10 Cash and cash equivalents

The cash includes £56,601 (2016: £52,459) relating to the Social Responsibility Fund. The use of the Social Responsibility Fund is restricted by Article 10 of the Gambling Commission (Jersey) Law 2010.

11 Trade and other payables	2017	2016
	£	£
Amounts due in less than one year:		
Licence fees billed in advance (deferred income)	474,254	508,298
Other creditors and accruals	<u>38,386</u>	<u>33,094</u>
	<u><u>512,640</u></u>	<u><u>541,392</u></u>

12 Social Responsibility Fund

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

	2017	2016
	£	£
Balance brought forward		
	64,109	48,581
Amounts billed		
	18,798	15,700
Amounts used		
	<u>(13,941)</u>	<u>(172)</u>
Balance carried forward	<u><u>68,966</u></u>	<u><u>64,109</u></u>

13 Related party transactions

During the year salaries paid to the Commissioners totalled £42,000 (2016: £84,500). The Commissioners did not receive any other benefits for services rendered in the current or prior year. No other transactions with related parties were undertaken such as are required to be disclosed under United Kingdom Generally Accepted Accounting Principles, including FRS 102 and the Gambling Commission (Jersey) Law 2010.

JERSEY GAMBLING COMMISSION
FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE FINANCIAL STATEMENTS (continued)

14 Leases

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

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2017 £	2016 £
Not later than a year	28,667	34,400
Later than one year and not later than five years	-	28,667
Later than five years	-	-
	<u>28,667</u>	<u>63,067</u>

15 Ultimate controlling party

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

16 Events after the statement of financial position date

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