

2015

# Jersey Gambling Commission Annual Report and Accounts



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## Chairman's Statement

It is my pleasure to present this, the fifth Annual Report of the Jersey Gambling Commission to the Minister of Economic Development, Tourism, Sport and Culture for submission to the States. Since my appointment as Special Adviser, then 'Shadow' Commissioner and ultimately Chairman of the States-appointed Commission, I have been tremendously impressed to see how Jersey is able to constantly punch above its weight in terms of adaptability, speed of change and reputation on what is a worldwide stage. The gambling industry has also evolved and adapted during my tenure of office and seeks jurisdictions that have integrity, highly developed standards of regulation and a reputation for ensuring that short-term economic advantage is not put before long-term stability. Jersey is, and remains such a jurisdiction.

Belief in these sentiments, however, should not be taken for granted and must periodically be put to the test. During 2015 I was pleased to note that the Chief Minister's Department, supported by our sponsoring department, Economic Development, undertook a research exercise and consultation into e-gaming and e-gambling as part of an on-going evaluation of business initiatives and risk awareness in Jersey. Noting that developing an innovative digital and technology sector for Jersey was set as a strategic priority, the Government concluded that:

- reputational risks exist in the sector, but evidence demonstrates that those risks can be effectively mitigated by robust and effective regulation
- Jersey should explore alternative opportunities for robust and effective regulation for the eGaming sector. In doing so Government should consult with relevant bodies
- greater consideration needs to be given to how Jersey can access an already well-established industry and market itself to the outside world in order to benefit from this area of the economy
- Jersey should explore opportunities to increase the effectiveness of marketing and promotion of the sector.

As a Commission we naturally focus upon our statutory duties and our guiding principles that gambling should be conducted responsibly and with safeguards necessary to protect children and vulnerable people; should be regulated in accordance with 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. To that end I believe that the statutory legal framework which Jersey has put in place for the licensing and regulation of gambling to be world-class. Similarly, I believe that the regulatory supervision undertaken by the Commission to be world-class and our experience would bear out the government's assertion that this is the best form of risk-mitigation. Of course, we should not rest on our laurels and the very dynamism of the industry demands that regulation and licensing continues to change and evolve. The Commission will, therefore, continue to build its network of MoUs, extend its involvement in international regulatory associations and invest in training and career development for its executive.

The timing of the States consultation was also beneficial as it coincided with the application, assessment and grant of temporary licences to the Island's latest remote gambling licensees. These companies also underwent review and assessment by the States Population Office for the grant of a Control of Housing and Work Licence, as well as by the Jersey Financial Services Commission for registration under Schedule 2 of the Proceeds of Crime (Jersey) Law 1999. There is no doubt that Jersey will continue to attract high quality applicants for remote gambling licences and that these companies will contribute to the economic benefit that the Government of Jersey referred to in its statement noted above.

Given that this will be my last Annual Report, it would be most remiss if I did not put on record my sincere appreciation to all the staff, past and present, but particularly Dr Lane my CEO and David Evans his deputy, for their diligence and hard work of many years. I am also very pleased to be sharing the next year until the end of my term in office with our three new Commissioners, Advocate Cyril Whelan (Deputy Chairman), Debbie Sebire and Advocate Matthew Swan. They are wise and highly experienced individuals and there is no doubt that under their stewardship the Commission, and consequently Jersey, will go from strength to strength. Thanks too must also go to Jeremy Arnold who retired during the year and Commissioner Peter Cruickshank who will finish his term of office with me. It has been a great privilege to have been the Chairman of the Jersey Gambling Commission and I wish it every success in the future.

Graham White, OBE  
Chairman

## Chief Executive's Statement

The past year has been a demanding one for the Commission, but has also seen a number of extremely positive developments. The Minister's statement of November 2015 that Jersey's government would continue a permissive regime in e-gaming was most welcome and supports the strong levels of assurance and regulatory compliance required by the Commission of all its licensees. Interest in Jersey as a jurisdiction has been developing and the Commission is planning to grow its level of resource to match it. The increase expected in the remote or online sector, however, is not mirrored across the industry and the Island's bookmakers in particular continue to face difficult market conditions with one local business deciding not to renew its licence for 2016. This is an area the Commission will continue to monitor as it represents a gradual reduction in the size of the sector since its peak in 2014 when there were briefly 30 shops, down to 27 by the end of 2015.

This reduction will, necessarily impact upon the Commission's revenue. Importantly the JGC continues to operate without any direct cost to or subsidy from the taxpayer. Licence fees are reviewed annually, but the Board took the view that no increases were necessary given the Commission's modest overall surplus. Looking to the future, however, the likelihood remains of a reduced income from the terrestrial industry and greater expenditure required to oversee applications for remote licensing. To that end it may be that the Commission sees declining income before the take-up of remote licensing makes up the shortfall. That is not a concern however, insofar as it is planned and properly budgeted for.

In February the Commission signed an MoU with the Alderney Gambling Control Commission and a further MoU in August with the Mohawk Territory of Kahnawake. By and of themselves, MoUs do not modify or supersede any laws or applicable regulatory requirements, but set forth a statement of mutual intent for co-operation and assistance in areas such as the sharing of information and the conducting of investigations. Given that remote gambling is an international industry transcending jurisdictional borders, it requires regulators around the world to work together. To that end, the JGC regards these MoUs as a significant step in enhancing the reputation of the eGambling industry in the Channel Islands.

Links to other regulatory bodies continue through membership of international regulatory associations such as the International Association of Gaming Regulators (IAGR) and the Gaming Regulators European Forum (GREF). Throughout 2015 Jersey, through my Chairmanship of GREF, was at the heart of discussions around regulatory best practice, culminating with the annual meeting of the Forum during May in Vilnius, Lithuania. That meeting focussed on crime in gambling,

considering match-fixing, EU customer case studies, Suspicious Activity Reporting Typologies and methodologies for detection. Jersey is also active within IAGR working groups on remote gambling and is a founder member of the IAGR Anti-Money Laundering Group.

A minor amendment to the Gambling (Jersey) Law 2012 was made by Ministerial Order in July, changing the meaning of 'exempt finance business' and consequent to the transfer to the Comptroller and Auditor-General in 2014 of the power to appoint external auditors, this is the first report prepared under the new financial reporting regime.

With the completion of the Board's second term due in 2016, it was also a requirement to advise the Minister of suitable candidates for appointment so that a handover period would take place. Consequently the Commission advertised locally for candidates in a process overseen by the Jersey Appointments Commission and with representation from the Commission, the department and States Human Resources. I am delighted to report that the positions attracted candidates of the highest integrity and professionalism and competition for the posts was very strong. At its conclusion the Chairman was pleased to recommend to the Minister the following individuals for appointment:

Advocate Cyril Whelan, as Deputy Chairman (from November 2015);

Ms Debbie Sebire as Commissioner (from November 2015); and

Advocate Matthew Swan as Commissioner (deferred to January 2016).

These appointments further strengthen the Board and ensure continuity into the future.

Dr Jason Lane  
Chief Executive

## The Board



**GRAHAM WHITE, OBE**  
**CHAIRMAN**



**PETER CRUICKSHANK**  
**COMMISSIONER**



**JEREMY ARNOLD**  
**COMMISSIONER**



**CYRIL WHELAN**  
**DEPUTY CHAIRMAN**



**DEBBIE SEBIRE**  
**COMMISSIONER**

The Chairman, Graham White OBE, is a well known regulator of some 30 years experience, having served as Chief Inspector of the Gaming Board and then the UK Gambling Commission. Graham is a past trustee of the Gordon Moody Association (a charity providing residential care to problem gamblers) and remains involved in action to assist problem gamblers through work with the Royal College of General Practitioners. Graham has been an active member of both GREF and IAGR for many years.

Peter Cruickshank brings extensive business experience to the Board, having built up a successful money broking firm and representing the London Sterling Brokers Association as its Secretary and in its dealings with the Bank of England.

Jeremy Arnold resigned as Commissioner in November. Formerly a partner with Arthur Andersen, he focussed on practice management, training and quality control, experience that has been enormously beneficial to the Board of the JGC.

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 1<sup>st</sup> June 2010.

Ms Sebire is currently a Member of the Jersey Police Complaints Authority and a non-executive director of Coutts & Co Trustees (Jersey) 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.

## The Executive

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



**JASON LANE**

**CHIEF EXECUTIVE**



**DAVID EVANS**

**HEAD OF LEGAL AND REGULATION**

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 was elected Chairman of GREF for 2014-16, is an active participant in the IAGR e-gaming working group and a member of the International Masters of Gaming Law. In 2014 Jason was appointed by the Minister for Home Affairs as a founding Board Member of the Jersey Police Authority and became Deputy Chairman in 2015, where he has oversight of business and performance management, workforce management and succession planning within the States of Jersey Police.

David has worked for the 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. He 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.

### **Article 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 continues to be both proactive and responsive in its regulation and operates a risk based approach that enables 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. Naturally, we apply the guiding principles enshrined in Article 4 of the Commission Law which directs that we must, in the performance of all of our functions, have regard to the principles that any gambling services provided

- 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.

We believe that a good working relationship with the regulated sector is of paramount importance to effective regulation and encourage a two-way dialogue particularly with regard to self-reporting. While the Commission undertake regular inspections and spot-checks 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 trust. Self-reporting is thus an appropriate means of lessening regulatory sanction and increasing compliance, but it is vital that all licensees, be they commercial or charitable, are confident that they can approach the

Commission in the knowledge that they will be treated fairly. To that end the Inspection Programme provides an excellent method of maintaining and enhancing relationships with the industry.

As of December 2015, the terrestrial industry in the Island is made up of 7 Class 1 Bookmakers (operating 92 gaming machines), 4 Class 2 (on course) Bookmakers, a Parimutual Operator (Jersey Race Club), 2 Crown and Anchor Operators, 26 Thrift Clubs, 2 Hosting Providers, a Gambling Software Provider and 4 Personal Gambling Licence Holders. There is also a seasonal 'amusement with prizes' licence awarded for the summer season as well as a small number of gambling machines licensed to operate in pubs, clubs and restaurants.

As noted in the Chief Executive's opening statement, the Island has seen a reduction in the numbers of Licenced Betting Offices from a peak of 30 in July 2014, back down to 29 by the end of that year and now 27 as at 31<sup>st</sup> December 2015. The increase in operating costs together with the availability of online alternatives may go some way to explaining this decline. The bookmaking sector therefore remains highly competitive in Jersey and although the new Law allows for greater flexibility (insofar as the former cap on licences was removed) the current trend would suggest that the sustainable market level has been reached. Total (Jersey-based) staff in the sector number 100.

All Licenced Betting Offices received a minimum of 1 Full Inspection, with a number receiving additional *ad hoc* or thematic inspections. No major issues were identified, with the majority of Licenced Betting Offices meeting the requisite standard on the first visit. All holders of Class 1 and Class 2 Bookmakers Licences are also required to complete and return to the Commission an annual Regulatory Return giving details of their gambling operations during the year. As a consequence of the changes to the Association of British Bookmakers' Code in 2014, all gaming machine programmes were checked against the Certificates from their testing houses; this task encompassed some 150 different games.

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

Interest in the remote gambling sector continued during the year, although there is evidence to suggest that some companies may have avoided a decision about locating in the Island while the States consultation process was in course. Be that as it may, the very clear positive endorsement that was issued by the Economic Development Minister at the conclusion of the consultation process was warmly received, not least by the three new licensees that established themselves in the Island during 2015. This brings the number of remote licensees to four and of permit holders (B2B providers) to three. Development of the remote gambling sector is now expected in the coming years and the Commission will scale its resource accordingly.

Regulation of the Charitable and Social sector remains an important area of work. Reflecting the level of commensurate risk, the Commission has adopted a light-touch approach and oversight is achieved by a random sampling from the total number of registrations as well as requiring them to provide details of their gambling in the form of a Regulatory Return. No issues worthy of being reported were identified in 2015 and the oversight and assistance provided by the Commission has built upon the firm foundation created the previous year and has seen a number of improvements in

effective operation and reporting within the charitable sector. The Commission continues to seek to identify further areas where improvements can be achieved.

## Anti-Money Laundering/Combating the Financing of Terrorism

### Terrestrial Commercial Industry

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

The main changes applied to gambling industry are:

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

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

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

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

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

## E-gaming

The decision by the UK Government to abandon its “white list” system that had prevented firms in Jersey from marketing online gaming services into the UK has effectively opened up the possibilities of an e-gaming industry developing here. Recent activity attests to this.

In line with regulatory norms, it is not the Jersey Gambling Commission’s place to promote or market the Island as a jurisdiction for such activity – our role is strictly a regulatory one, ensuring that any such activity conducted here is in line with the legislation agreed by the States and the Codes of Practice in force here. The Commission does meet with interested parties and potential applicants in order to discuss regulatory and licensing queries and 2015 saw a significant level of interest and inquiries from firms looking to use the Island as a base for such activity.

## Social Responsibility

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

Part of the data required from licensees is an annual return stating the numbers and changes in self-exclusions, that is, people who take the initiative to stop gambling and sign a statement with an operator noting their desire to stop gambling which the operator is contractually bound to honour. In the terrestrial bookmaking sector 132 self-exclusions were made across the total estate, with 24 people who had previously self-excluded choosing to return to gambling once the period of their self-exclusion had ended. It is important to recognize that as Jersey has no national self-exclusion system, an individual has to self-exclude from each premises they wish to stop gambling in. The 132 self-exclusions noted in 2015 therefore, are likely to represent a much smaller group of people who have elected to exclude from a number of different premises.

The industry also takes its responsibility to prevent children from gambling very seriously and operates a ‘think 21’ system whereby anyone appearing under the age of 21 is requested to show identification. It is a licensing requirement that any instances of under-age gambling be reported to the Commission. No such instances were reported during the period, but over 6500 persons were asked for identification and on 169 occasions staff in betting shops recorded an ‘interaction’ with a customer to enquire if they were in control or needed any advice or assistance.

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

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

At the close of the year, there was £48,581 in the Fund, up from £22,217 in 2014.

## **Gambling Therapy**

As agreed in 2013, the Commission utilises the Social Responsibility Fund to support Gambling Therapy (GT) and actively promoted the services offered via the 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 dedicated site can be accessed via <http://www.gamblingtherapy.je/>. Feedback from Gambling Therapy indicates that unique hits on the site are very low and to date, no-one from Jersey has actually utilised the on-line counselling service that it offers. This could be because the level of problem gambling in the Island is very low and, hopefully, that is indeed the case. The Commission cannot take this for granted however and will continue to request evidence and assessment from Health and Social Services as well as the Third Sector for ways in which help can be brought to bear for those Islanders in need.

The Commission also gives support and advice when called upon and David Evans gave a presentation to the Emergency Food Providers event at the Salvation Army premises in October on available help for problem gamblers. It is hoped that these sorts of events will recur.

## **Financial Commentary**

As in previous years and keeping with its independent status and recognising the continuing pressure on public finances, the Commission has adopted a policy of full financial self-sufficiency. Financial self-sufficiency is not just a process of balancing the books on a yearly basis. As a regulatory body, the Commission must 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 up 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 in the new 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 2015 under FRS 102, as opposed to the UK GAAP that were used in the 2014 accounts. The difference is minor, but it does mean that the 2014 surplus is restated as £41,658 (under FRS 102) compared to the published (UK GAAP) figure of £42,993. The description for the change is given in Note 17 to the accounts.

The Commission is pleased to report that it ended the year with an operating surplus of £37,799, a modest reduction on the previous year, in the main due to the part-time employment of an Executive Officer. 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 2015**

**JERSEY GAMBLING COMMISSION  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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## **COMMISSIONERS' REPORT**

The commissioners present their report and the audited financial statements of the Jersey Gambling Commission for the year ended 31 December 2015.

## **INCORPORATION**

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

## **COMMISSIONERS**

The commissioners who served during the year were as follows:

Mr G White, OBE

Mr P Cruickshank

Mr J Arnold (Resigned 30 November 2015)

Ms D Sebire (Appointed 2 November 2015)

Mr C Whelan (Appointed 2 November 2015)

## **RESULTS**

The financial statements provide an overview of the Commission's income and expenditure for 2015. The Commission is pleased to report a surplus for the year of £37,799 (2014: £41,658).

## **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 accounts.

## **REGULATIONS**

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

## **SOCIAL RESPONSIBILITY FUND**

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

## **COMMISSIONERS' RESPONSIBILITIES**

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



**COMMISSIONERS' REPORT (continued)**

**COMMISSIONERS' RESPONSIBILITIES (continued)**

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

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

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

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

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

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

**AUDITOR**

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

**Registered Office:**

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

Signed on behalf of the Commission

.....  
**Dr Jason Lane**  
**Chief Executive**

Approved on 13<sup>th</sup> July 2016

**JERSEY GAMBLING COMMISSION**  
**INDEPENDENT AUDITOR'S REPORT TO THE COMPTROLLER AND AUDITOR GENERAL**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

We have audited the financial statements of the Jersey Gambling Commission for the year ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Statement of Financial Position and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is Financial Reporting Standard 102 "Financial Reporting" ("FRS 102"); the Financial Reporting Standard applicable in the UK and Republic of Ireland and the requirements of the Gambling (Jersey) Law 2010.

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

**Respective responsibilities of commissioners and auditor**

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

**Scope of the audit of the financial statements**

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

**JERSEY GAMBLING COMMISSION**

**INDEPENDENT AUDITOR'S REPORT TO THE COMPTROLLER AND AUDITOR GENERAL**

**Opinion on financial statements**

- give a true and fair view of the state of the Commission's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 102; and
- have been properly prepared in accordance with the requirements of the Gambling (Jersey) Law 2010.

Gregory Branch

for and on behalf of Deloitte LLP

Chartered Accountants

Jersey

Date: 13<sup>th</sup> July 2016

JERSEY GAMBLING COMMISSION  
FOR THE YEAR ENDED 31 DECEMBER 2015

STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS

	Notes	2015 £	2014 £
TURNOVER	4	<u>531,803</u>	<u>499,412</u>
GROSS SURPLUS		<u>531,803</u>	<u>499,412</u>
EXPENSES			
Administrative expenses		<u>494,951</u>	<u>458,312</u>
SURPLUS ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		36,852	41,100
Interest receivable and similar income		<u>947</u>	<u>558</u>
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	37,799	41,658
TAXATION	7	<u>-</u>	<u>-</u>
SURPLUS FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE INCOME		<u>37,799</u>	<u>41,658</u>
RETAINED SURPLUS AT 1 JANUARY		<u>227,562</u>	<u>185,904</u>
RETAINED SURPLUS AT 31 DECEMBER		<u>265,361</u>	<u>227,562</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 2015**

STATEMENT OF FINANCIAL POSITION	Notes	2015 £	2014 £
<b>FIXED ASSETS</b>			
Property, plant and equipment	8	<u>6,028</u>	<u>11,368</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	9	494,157	24,032
Cash and cash equivalents	10	<u>321,482</u>	<u>401,600</u>
		<u>815,639</u>	<u>425,632</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Trade and other payables	11	<u>30,395</u>	<u>187,221</u>
		<u>30,395</u>	<u>187,221</u>
<b>NET CURRENT ASSETS</b>		<u>785,244</u>	<u>238,411</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>791,272</u>	<u>249,779</u>
<b>NET ASSETS</b>		<u>791,272</u>	<u>249,779</u>
<b>ACCUMULATED RESERVES</b>			
Social Responsibility Fund	12	48,581	22,217
Income and Expenditure Account		<u>265,361</u>	<u>227,562</u>
		<u>313,942</u>	<u>249,779</u>

The financial statements on pages 6 to 15 have been prepared in accordance with the Gambling Commission (Jersey) Law 2010 and Financial Reporting Standard 102(1A) applicable to small entities.

The accounts were approved and authorised for issue on 13<sup>th</sup> July 2016 by the Jersey Gambling Commission and signed on its behalf by:

**Dr Jason Lane**  
Chief Executive

**JERSEY GAMBLING COMMISSION  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**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 2nd Floor, Salisbury House, 1-9 Union Street, St Helier, Jersey, JE2 3RF.

**2 Statement of compliance**

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including the financial reporting standard applicable to the United Kingdom and the Republic of Ireland ("FRS 102") and the Gambling Commission (Jersey) Law 2010. This is the first set of financial statements prepared in compliance with FRS 102 and the date of transition to FRS 102 was the 1 January 2014. There were no material departures from this standard.

**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. Details of the transition to FRS 102 are disclosed in note 17.

**Transition to FRS 102**

Prior to 1 January 2015, the Commission prepared its financial statements under previously extant United Kingdom Accounting Standards. From 1 January 2014, the Commission has elected to present its annual financial statements in accordance with FRS 102.

**(i) Accounting estimates**

In accordance with FRS 102, as a first-time adopter, the Commission did not revise any estimates on transition to reflect new information subsequent to the original estimates.

**(ii) Statement of Comprehensive Income and Changes in Equity**

Section 6.4 of FRS 102 permits the Commission to present an Income Statement and Retained Earnings in place of a Statement of Comprehensive Income and a Statement of Changes in Equity as the only movements during the periods reported arise from movements in profit and loss.

**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.

## NOTES TO THE ACCOUNTS (continued)

### 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. In accordance with FRS 102, as a first-time adopter, the Commission did not revise any estimates on transition to reflect new information subsequent to the original estimates.

### Going concern

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

### Revenue recognition

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

### Licence fees

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

### Social permits and registrations

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

### Expenses

Expenses are accounted for on an accruals basis.

### Pension costs

Staff initially employed by the States of Jersey before 3 September 2010 of which there are two are members of the Public Employees Contributory Retirement Scheme ("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% (2014 13.6%). This rate is the expected to continue to be payable during 2016.

## NOTES TO THE ACCOUNTS (continued)

### Pension costs (continued)

Actuarial valuations are performed on a triennial basis; the most recently published was the PECS Actuarial Valuation for 31 December 2013 on 13 March 2015. The main purposes of the valuations are to review the operation of the scheme, to report on its financial condition, and to confirm the adequacy of the contributions to support the scheme benefits.

Copies of the latest annual accounts of the scheme, and States of Jersey, may be obtained from the States Treasury, Cyril Le Marquand House, The Parade, St. Helier, JE4 8UL.

### Property, plant and equipment

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

Repairs and maintenance costs are expensed as incurred.

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

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

### Financial instruments

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

#### (i) Financial Assets

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

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



## NOTES TO THE ACCOUNTS (continued)

### Financial instruments (continued)

#### (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.

4 Analysis of turnover by category	2015	2014
	£	£
Licence fees	527,133	494,818
Social permits	600	600
Social registrations	1,520	1,420
Software designers permits	1,250	1,250
Other income	1,300	1,324
	<hr/>	<hr/>
	531,803	499,412
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (continued)

<b>5 Payroll costs</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Staff salaries	275,093	256,074
Commissioners' fees	75,500	72,000
Employer pension contributions	20,129	22,847
	<u>370,722</u>	<u>350,921</u>

	<b>2015</b>	<b>2014</b>
Number of permanent staff employed during the year	<u>5</u>	<u>4</u>

**6 Surplus for the financial year**

Surplus for the financial year is stated after charging:

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Auditors remuneration	7,500	6,150
Depreciation	6,007	5,981
	<u>13,507</u>	<u>12,131</u>

**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 2015 the Commission was due a repayment of £966.

**8 Property, plant and equipment**

	<b>Website Costs £</b>	<b>Computer Equipment £</b>	<b>Total £</b>
<i>Cost</i>			
Balance brought forward	8,238	19,406	27,644
Additions	-	667	667
Balance carried forward	<u>8,238</u>	<u>20,073</u>	<u>28,311</u>
<i>Depreciation</i>			
Balance brought forward	5,524	10,752	16,276
Charge for the year	1,018	4,989	6,007
Balance carried forward	<u>6,542</u>	<u>15,741</u>	<u>22,283</u>
<i>Net book value</i>			
Balance carried forward	<u>1,696</u>	<u>4,332</u>	<u>6,028</u>
Balance brought forward	<u>2,714</u>	<u>8,654</u>	<u>11,368</u>

NOTES TO THE ACCOUNTS (continued)

<b>9 Trade and other receivables</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Licence fees receivable	485,338	15,700
Other debtors	8,819	8,332
	<u>494,157</u>	<u>24,032</u>

All debtors are repayable within one year.

**10 Cash and cash equivalents**

The cash includes £32,832 (2014: £22,217) 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.

<b>11 Trade and other payables</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Amounts due in less than one year:		
Licence fees billed in advance	-	165,463
Other creditors and accruals	30,395	21,758
	<u>30,395</u>	<u>187,221</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.

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Balance brought forward	22,217	2,209
Amounts billed	29,364	21,475
Amounts used	(3,000)	(1,467)
	<u>48,581</u>	<u>22,217</u>

**13 Related party transactions**

During the year salaries paid to the Commissioners totalled £75,500 (2014: £72,000). 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.

## NOTES TO THE ACCOUNTS (continued)

### 14 Leases

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

The Commission pays all property related expenses.

### 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.

### 17 Transition to FRS 102

This is the first year that the Commission have presented their results under FRS 102. The last financial statements prepared under the previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was therefore 1 January 2014. Set out below are the changes in accounting policies which reconcile profit for the year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

	At 1 January 2014	At 31 December 2014
	£	£
<b>Reconciliation of equity</b>		
Equity reported under previous UK GAAP	185,904	251,114
Adjustments to equity on transition to FRS 102		
Holiday Pay Accrual <span style="float: right;">Note a</span>	<u>-</u>	<u>(1,335)</u>
Equity reported under FRS 102	<u>185,904</u>	<u>249,779</u>

## NOTES TO THE ACCOUNTS (continued)

### 17 Transition to FRS 102 (continued)

#### Reconciliation of statement of comprehensive income for 2014

		£
Profit for the financial year under previous UK GAAP		42,993
Holiday Pay Accrual	<b>Note a</b>	<u>(1,335)</u>
Profit for the financial year under FRS 102		<u><u>41,658</u></u>

#### **Note a: Holiday pay accrual**

FRS 102 requires short term employee benefits to be charged to the profit and loss account as the employee service is received. This has resulted in the Commission recognising a liability for holiday pay of £1,335 on transition to FRS 102. Previously holiday pay accruals were not recognised and were charged to the income and expenditure account as they were paid. In the year to 31 December 2014, an additional charge of £1,335 was recognised in the income and expenditure account and the liability at 31 December 2014 was £1,335.

There have been no other changes effected by the transition to FRS 102.



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