

**ALDERNEY GAMBLING CONTROL COMMISSION**

**FINANCIAL STATEMENTS 2016**

**FOR INFORMATION PURPOSES**

## **Alderney Gambling Control Commission**

### **STATEMENT OF THE COMMISSION'S RESPONSIBILITIES**

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

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

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

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

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

**Independent auditor's report to the Commissioners of Alderney Gambling Control Commission**

We have audited the financial statements of Alderney Gambling Control Commission (the "Commission") for the year ended 31 December 2016 which comprise the Statement of Financial Position, Statement of Comprehensive Income and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

**Respective responsibilities of Commissioners and auditor**

As explained more fully in the Statement of Commission's Responsibilities set out on page 2, the Commissioners are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

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

**Opinion on the financial statements**

In our opinion the financial statements give a true and fair view of the state of the Commission's affairs as at 31 December 2016 and of its result for the year then ended in accordance with United Kingdom Accounting Standards.

**Matters on which we are required to report by exception**

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

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

*KPMG Channel Islands Limited*  
KPMG Channel Islands Limited  
Chartered Accountants  
Guernsey

*26 May 2017*

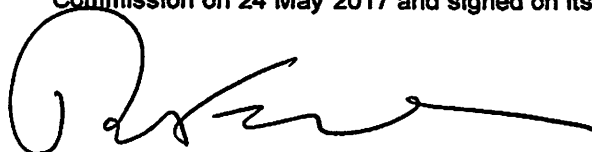
**Alderney Gambling Control Commission**

**Statement of Financial Position as at 31 December 2016**

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Computer, office equipment & furniture		32,183	46,449
Leasehold		183,744	209,811
Web hosting		63,315	70,286
	3&4	<u>279,242</u>	<u>326,546</u>
<b>Current assets</b>			
Cash at bank and in hand	5	2,376,366	2,363,770
Prepayments		5,288	14,078
		<u>2,381,654</u>	<u>2,377,848</u>
Creditors: amounts falling due within one year	6	(722,748)	(801,157)
Net current assets		<u>1,658,906</u>	<u>1,576,691</u>
Total assets less current liabilities		<u>1,938,148</u>	<u>1,903,237</u>
<b>Capital and reserves</b>			
Retained surplus brought forward		1,903,237	2,178,126
Net (deficit)/surplus for the year		34,911	(274,889)
Retained surplus		<u>1,938,148</u>	<u>1,903,237</u>

*The notes on pages 6 to 11 are an integral part of these accounts.*

The financial statements on pages 4 to 11 were approved by Alderney Gambling Control Commission on 24 May 2017 and signed on its behalf by:



Lord Richard Faulkner  
Chairman

**Alderney Gambling Control Commission**

**Statement of Comprehensive Income for year ended 31 December 2016**

	Note	2016 £	2015 £
<b>Income</b>			
Licence fees	3	4,365,500	4,370,500
Fees charged to clients		525,821	461,132
Bank interest		5,972	7,448
		<u>4,897,293</u>	<u>4,839,080</u>
<b>Expenditure</b>			
Staff costs	8	1,803,338	1,828,208
Commissioners' fees	7	116,668	115,858
Premises, furniture and equipment		92,081	80,764
Web hosting		97,965	92,825
Consultancy		25,836	79,184
Conferences and general travel		137,990	126,034
Postage, stationery and telephone		35,773	34,127
Administrative expenses		171,149	138,090
Depreciation	4	104,586	153,017
		<u>2,585,386</u>	<u>2,648,107</u>
Funds transferred to the States of Alderney	10	2,276,996	2,465,862
<b>Total comprehensive income for the year</b>		<u><u>34,911</u></u>	<u><u>(274,889)</u></u>

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

The notes on pages 6 to 11 form an integral part of these financial statements.

## **Alderney Gambling Control Commission**

### **Notes to the financial statements for the year ended 31 December 2016**

#### **1. Reporting Entity**

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

#### **2. Basis of Preparation**

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

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

The financial statements are prepared on the historical cost basis.

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

#### **3. Significant Accounting Policies**

##### **Licence and certificate fees**

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

##### **Fees charged to clients**

Fees charged to clients are incurred on an accruals basis as services are delivered such as investigation/inspection. As at the year end, there are no outstanding fees (2015: £nil).

##### **Expenses**

Expenses are accounted for on an accruals basis.

## **Alderney Gambling Control Commission**

### **Notes to the financial statements for the year ended 31 December 2016**

#### **3. Significant Accounting Policies (continued)**

##### **Tangible Fixed Assets**

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

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

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

The depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting in the pattern by which the AGCC expects to consume an asset's future economic benefits. The useful life of the refurbishment that took place in 2012 has been reviewed as the lease term was extended until March 2023. This has now been recalculated over 11 years and the change has been accounted for prospectively.

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

##### **Judgements and Estimates**

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

###### **a) Judgements**

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

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

## **Alderney Gambling Control Commission**

### **Notes to the financial statements for the year ended 31 December 2016 (continued)**

#### **Financial instruments**

**a) Basic financial instruments**

**i) Trade and other debtors / creditors**

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

**ii) Cash and cash equivalents**

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

**b) Derecognition**

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

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



**Alderney Gambling Control Commission**

**Notes to the financial statements for the year ended 31 December 2016 (continued)**

**4. Fixed assets**

	<b>Equipment &amp; Furniture £</b>	<b>Leasehold £</b>	<b>Web Hosting £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 January 2016	338,631	645,936	351,698	1,336,265
Additions	14,962	0	42,320	57,282
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	353,593	645,936	394,018	1,393,547
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 1 January 2016	292,182	436,125	281,412	1,009,719
Charge for year	29,228	26,067	49,291	104,586
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	321,410	462,192	330,703	1,114,305
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 December 2016	32,183	183,744	63,315	279,242
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	46,449	209,811	70,286	362,546
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## Alderney Gambling Control Commission

### Notes to the financial statements for the year ended 31 December 2016 (continued)

<b>5. Cash at bank and in hand</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Cash at bank:		
Business reserve account	282,098	452,570
Applicant and Licensee deposit account	672,622	642,702
Treasury accounts	1,000,017	1,000,017
Current account	421,421	268,331
Petty cash	208	150
	<hr/>	<hr/>
	2,376,366	2,363,770
	<hr/>	<hr/>

The Commission employs the use of a NatWest credit card facility for £50,000. Any use of this facility is paid off in full on a monthly basis. There was no amount owed at the year end (2015:£nil).

### 6. Creditors: amounts falling due within one year

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Refundable deposits	477,912	493,107
Creditors and accruals	244,836	308,050
	<hr/>	<hr/>
	722,748	801,157
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Refundable deposits are held against the costs of investigating applicants and inspecting licensees and may be refunded in whole or in part.

### 7. Commissioners' fees

In accordance with the Gambling Law, the States of Alderney ultimately meets the fees and expenses of the Commissioners, including the Chairman.

## **Alderney Gambling Control Commission**

### **Notes to the financial statements for the year ended 31 December 2016 (continued)**

#### **8. Staff costs**

Included in the staff costs are pension contributions. A defined contributions pension scheme, together with life assurance cover, is provided for employees. The scheme is administered by Gower Limited in Guernsey and was started in May 2002. The scheme requires employees to contribute 6% of gross salary to the scheme and the Commission contributes a minimum 7.5% of gross salary to the scheme on the employees' behalf. The annual pension contribution of £162,459 (2015: £159,715) is included in staff costs. At the year-end there were no prepaid or outstanding contributions (2015: £nil).

During the year the average number of employees was 19 (2015: 20).

#### **9. Operating lease**

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

The rental amounts for 2016 charged to the Income statement and included in premises, furniture and equipment expenditure were £47,490 (2015: £47,219).

The Commission is committed under the lease to make payments of £36,000 per year plus any RPI increase, subject to review in the fifth year, until the end of the lease (March 2023).

Non-cancellable operating lease rentals are payable as follows:

	<b>2016</b>	<b>2015</b>
Less than 1 year	£47,490	£47,219
Between 1 and 5 years	£237,450	£236,095
More than 5 years	£11,873	£59,363

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

#### **10. Transfers to the States of Alderney**

During 2016 the States of Alderney received transfers from the retained surplus of £2,276,996 (2015 - £2,465,862).

#### **11. Guernsey Income Tax**

The Commission is not subject to Guernsey Income Tax.

#### **12. Subsequent events**

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