

ALDERNEY GAMBLING CONTROL COMMISSION

FINANCIAL STATEMENTS 2019

FOR INFORMATION PURPOSES

Statement of the Commissioners' Responsibilities

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

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

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

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

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

The Commissioners are responsible for the maintenance and integrity of the corporate and financial information included on the Commission's website, and for the preparation and dissemination of financial statements. Legislation in Alderney governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

OUR OPINION IS UNMODIFIED

We have audited the financial statements (the "Financial Statements") of Alderney Gambling Control Commission (the "Commission"), which comprise the Statement of Financial Position as at 31 December 2019, the Statement of Comprehensive Income and Retained Earnings for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of Commission as at 31 December 2019, and of the Commission's financial performance for the year then ended;
- are prepared in accordance with United Kingdom accounting standards, including Section 1A of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- comply with The Gambling (Alderney) Law, 1999.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Commission in accordance with, UK ethical requirements including FRC Ethical Standards. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

WE HAVE NOTHING TO REPORT ON GOING CONCERN

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the Financial Statements. We have nothing to report in these respects.

WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The Commissioners are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available 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.



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

RESPECTIVE RESPONSIBILITIES

COMMISSIONERS' RESPONSIBILITIES

As explained more fully in their statement set out on page 17, the Commissioners are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to wind up the Commission or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

THE PURPOSE OF THIS REPORT AND RESTRICTIONS ON ITS USE BY PERSONS OTHER THAN THE COMMISSIONERS AS A BODY

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

KPMG Channel Islands Limited

KPMG Channel Islands Limited
Chartered Accountants, Guernsey

30 March 2020

Statement of Financial Position as at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Computer, office equipment & furniture		27,836	40,056
Leasehold		38,690	50,594
Web hosting		–	21,911
	3&4	<u>66,526</u>	<u>112,561</u>
Current assets			
Cash at bank and in hand	5	2,175,387	2,240,722
Prepayments		10,997	13,708
		<u>2,186,384</u>	<u>2,254,430</u>
Creditors: amounts falling due within one year	6	(561,308)	(615,729)
Net current assets		<u>1,625,076</u>	<u>1,638,701</u>
Total assets less current liabilities		<u>1,691,602</u>	<u>1,751,262</u>
Capital and reserves			
Retained surplus brought forward		1,751,262	1,900,957
Net (deficit) for the year		(59,660)	(149,695)
Retained surplus		<u>1,691,602</u>	<u>1,751,262</u>

The notes on pages 22 to 26 are an integral part of these accounts.

The financial statements on pages 16 to 26 were approved by Alderney Gambling Control Commission on 27 March 2020 and signed on its behalf by:



Lord Richard Faulkner
Chairman

Statement of Comprehensive Income and Retained Earnings for the year ended 31 December 2019

	Note	2019 £	2018 £
Income			
Licence fees	3	3,971,500	4,885,500
Fees charged to clients	3	589,648	618,785
Bank interest		10,458	8,191
		<u>4,571,606</u>	<u>5,512,476</u>
Expenditure			
Staff costs	8	1,816,079	1,761,257
Commissioners' fees	7	144,939	120,783
Premises, furniture and equipment		89,355	78,825
Web hosting		183,649	88,286
Consultancy		6,127	11,217
Conferences and general travel		100,410	115,329
Postage, stationery and telephone		22,256	28,266
Administrative expenses		198,218	183,019
Depreciation	4	56,407	117,082
		<u>2,617,440</u>	<u>2,504,064</u>
Total Comprehensive Income		1,954,166	3,008,412
Retained Earnings at 1 January		1,751,262	1,900,957
Total Comprehensive Income for the year		1,954,166	3,008,412
Distributions for the year		(2,013,826)	(3,158,107)
Retained earnings at 31 December		<u>1,691,602</u>	<u>1,751,262</u>

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

The notes on pages 22 to 26 form an integral part of these financial statements.

Notes to the Financial Statements for the year ended 31 December 2019

1. Reporting Entity

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

2. Basis of Preparation

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

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

The Commissioners have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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 (2018: £nil).

Expenses

Expenses are accounted for on an accruals basis.

Tangible Fixed Assets

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

Notes to the Financial Statements for the year ended 31 December 2019 (continued)



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

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

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

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

Judgements and Estimates

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

a) Judgements

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

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

Financial instruments

a) Basic financial instruments

i) Trade and other debtors / creditors

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

ii) Cash and cash equivalents

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

b) Derecognition

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

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



Notes to the Financial Statements for the year ended 31 December 2019 (continued)

4. Fixed assets

	Equipment & Furniture £	Leasehold £	Web Hosting £	Total £
Cost				
At 1 January 2019	406,244	645,936	418,076	1,470,256
Additions	10,372	–	–	10,372
At 31 December 2019	416,616	645,936	418,076	1,480,628
Depreciation				
At 1 January 2019	366,188	595,342	396,165	1,357,695
Charge for year	22,592	11,905	21,911	56,407
At 31 December 2019	388,780	607,247	418,076	1,414,102
Net book value				
At 31 December 2019	27,836	38,690	–	66,526
At 31 December 2018	40,056	50,594	21,911	112,561

5. Cash at bank and in hand

	2019 £	2018 £
Business reserve account	370,832	369,651
Applicant and Licensee deposit account	502,910	609,987
Treasury accounts	1,000,017	1,004,926
Current account	301,508	256,141
Petty cash	120	17
	2,175,387	2,240,722

The Commission employs the use of a NatWest credit card facility for £67,500. This consists of a monthly credit card limit of £54,000, with a 7-day payment grace period, thus 25% is added on for credit reporting purposes. Any use of this facility is paid off in full on a monthly basis. There was no amount owed at the year end (2018: £nil).



Notes to the Financial Statements for the year ended 31 December 2019 (continued)

6. Creditors: amounts falling due within one year

	2019 £	2018 £
Refundable deposits	492,023	512,613
Creditors and accruals	69,285	103,116
	<u>561,308</u>	<u>615,729</u>

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

7. Commissioners' fees

In accordance with the Gambling Law, the States of Alderney is ultimately responsible for meeting the Commissioner's fees and expenses, including the Chairman. The AGCC pay the Commissioners' fees and expenses of £144,939 during the year.

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 £150,788 (2018: £141,338) is included in staff costs. At the year-end there were no prepaid or outstanding contributions (2018: £nil).

During the year the average number of employees was 18 (2018: 18).

9. Operating lease

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

The rental amounts for 2019 charged to the Income statement and included in premises, furniture and equipment expenditure were £50,643 (2018: £49,393).

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

Non-cancellable operating lease rentals are payable as follows:

	2019 £	2018 £
Less than 1 year	£50,643	£49,393
Between 1 and 5 years	£164,590	£214,036
More than 5 years	–	–

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



Notes to the Financial Statements for the year ended 31 December 2019 (continued)

10. Transfers to the States of Alderney

During 2019 the States of Alderney received transfers from the retained surplus of £2,013,826 (2018 - £3,158,107).

11. Guernsey Income Tax

The Commission is not subject to Guernsey Income Tax.

12. Subsequent events

In March 2020, the World Health Organisation recognised an outbreak of a new virus that causes coronavirus disease 2019 (COVID-19) as a pandemic. COVID-19 has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The Commissioners consider the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Given the inherent uncertainties at this time, it is not possible to determine the precise impact of COVID-19 on the Commission. The Commission notes that it has the potential to reduce future licence fee income but it is not possible to quantify the impact at this time.