ALDERNEY GAMBLING CONTROL COMMISSION

FINANCIAL STATEMENTS 2020

FOR INFORMATION PURPOSES

Annual Report and Audited Financial Statements

2020



ALDERNEY
GAMBLING CONTROL COMMISSION



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ALDERNEY
GAMBLING CONTROL COMMISSION

20 May 2021

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

Dear Sir,

I have pleasure in presenting the Annual Report of the Alderney Gambling Control Commission for the period 1 January to 31 December 2020.

Yours faithfully

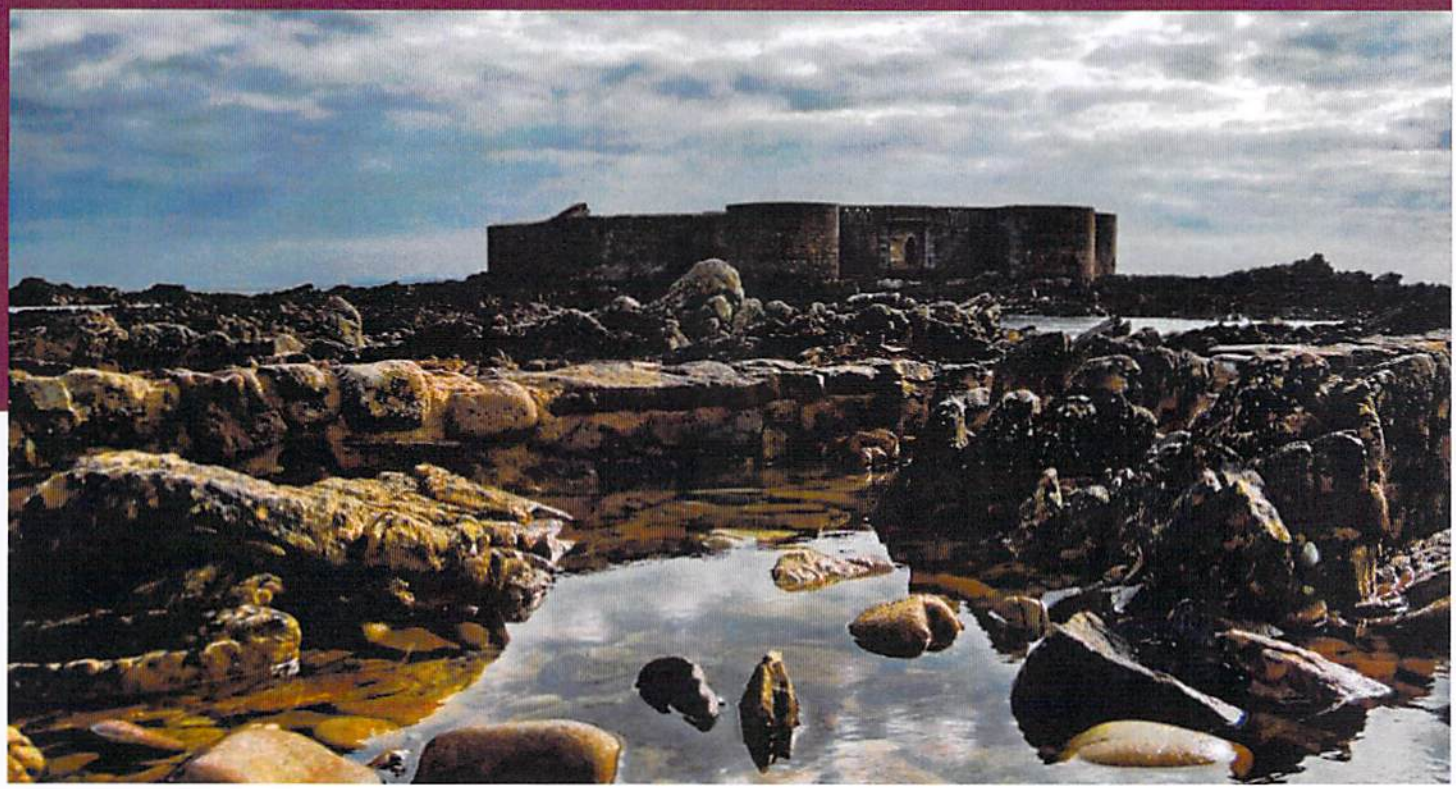
Lord Faulkner of Worcester
Chairman

Members: Lord Richard Faulkner (Chairman), Dr Isabel Picornell, Mr Jeremy Thompson, Mr Christopher Moger QC

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Mission Statement



To ensure and maintain the integrity of
electronic gambling activities regulated by the Commission.

Objectives

The primary objective is to protect and enhance the reputation of Alderney as a first tier regulatory jurisdiction by seeking to ensure that:

- All electronic gambling is conducted honestly and fairly and in compliance with good governance;
- The funding, management and operation of electronic gambling remains free from criminal influence;
- Electronic gambling is regulated and monitored so as to protect the interests of the young and the vulnerable

and without compromising this primary objective, to work with other agencies in the development of eGambling activities regulated by the Commission.

Chairman's Statement

As the year 2020 progressed it was clear that the turbulence brought about by Covid-19 would affect us all in some way - personally, professionally or as part of the changes to life brought about to manage the pandemic and its impact. At the Alderney Gambling Control Commission we redoubled our efforts to maintain an environment of continuity and stability for eGambling operators as they navigate in an industry facing numerous challenges. It is pleasing to note that not only has this strategy benefited our existing operators but it is also proving attractive to other high-quality large global operators that during 2020 found a new home in our jurisdiction. Alderney seeks to be a welcoming port in these stormy times. It is thanks to this policy that the Commission during 2020 was able to contribute positively towards further enhancing the excellent international reputation of the Island of Alderney.

The impact of Covid-19 on the gambling industry has been felt in many ways. The suspension of sporting fixtures and other events together with the closure of land based gambling had repercussions throughout the wider industry and it is a testament to the resilience of our operators that as they gradually return to stability they have been able to diversify their operations and maintain the highest ethical standards of responsible gambling and player protection.

The Commission responded nimbly to the operational challenges it faced as a result of Covid-19. The ability of our staff to work remotely has been a facet of Commission life for many years and the Commission's investment in a robust and resilient IT infrastructure reaped dividends and, when many others struggled, our staff were able to maintain normal regulatory operations throughout this time. The Commission's off-site monitoring regime remained unchanged and inspections were conducted remotely adopting a risk based approach to complement the scheduled on-site inspection programme.

We note the arrival of new States members in recent elections in both Alderney and Guernsey with fresh winds blowing in many initiatives to improve further the uniquely attractive business environment offered in the Bailiwick. We look forward to co-operating with all stakeholders and demonstrating the value of eGambling to both Alderney and the wider Bailiwick.

During 2020 the Commission maintained its close working relationships with fellow regulators, locally and internationally. We are delighted that our Executive Director, Jorn Starck, is serving as Chairman of the Gaming Regulators European Forum, and is able to demonstrate to his peers in other jurisdictions how Alderney operates as a top-tier regulator, setting standards that others can only seek to emulate.

Chairman's Statement (continued)

In addition we continue to work closely with the Guernsey Financial Intelligence Unit and the Guernsey Financial Services Commission. The Commission was pleased to note that the Bailiwick's National Risk Assessment recognises the robust way in which eGambling is supervised within the Bailiwick to mitigate effectively the risks of the sector being used as a conduit for money laundering or terrorist financing.

I am also very pleased that in such a tumultuous year the financial benefit from eGambling to the island of Alderney and the wider Bailiwick remained in line with previous years and expectations. As the world adapts to life with Covid-19 the outlook for the future remains positive and we look forward to enhancing further our valuable contribution to island and Bailiwick life.

Lastly, I want again to express my gratitude to my fellow Commissioners for their perseverance and support in a challenging year, and we thank Jorn Starck, the Commission's Executive Director, together with his colleagues on the Executive Committee for their efforts, as well as our dedicated staff. Without their hard work our roles would be impossible. It remains an honour to serve as the Commission's Chairman and be a part of an organisation which is not only at the forefront of the industry and is recognised for that world-wide, but which also makes such a positive contribution to the island of Alderney.



Lord Faulkner of Worcester
Chairman

Approach to Regulation

The Commission's key objective is to provide a regulatory environment which offers robust, enlightened, active regulation while also being responsive to the needs of a changing industry. In this way, the Commission aims to protect players, to ensure the continuing high reputation of Alderney as a jurisdiction and to establish a regulatory environment which attracts operators who seek a comprehensive, pragmatic and well-respected regime supportive of operator needs. The controlled gambling environment engenders good business practice throughout the operator's organisation.

The dynamic nature of the eGambling industry means that the Commission frequently needs to review regulations and legislation. Where changes to the regulations or the legislative framework are required, the Commission will advise the States of Alderney's Policy and Finance Committee on the introduction or amendment of legislation.

REGULATORY CHANGES

In 2020 one change was made to the regulatory framework governing eGambling in Alderney. The Alderney eGambling (Amendment) Ordinance, 2020 was made by the States of Alderney in September. The main purpose of this Ordinance was to move anti-money laundering and countering the financing of terrorism requirements from being in Regulations (made by the Commission) to parliamentary legislation.

WORKING WITH A GLOBAL INDUSTRY

The Commission is aware that developments in eGambling legislation elsewhere in the world may impact on the ability of Alderney licensees to access other markets and so expand and develop their businesses. The Commission is therefore in communication with regulators in various other jurisdictions so as to be kept informed of legislative developments. The Commission also makes use of specialist consultants to keep the Commission informed of relevant legislative proposals.

Approach to Regulation (continued)

REGULATORY AND LEGISLATIVE COOPERATION

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

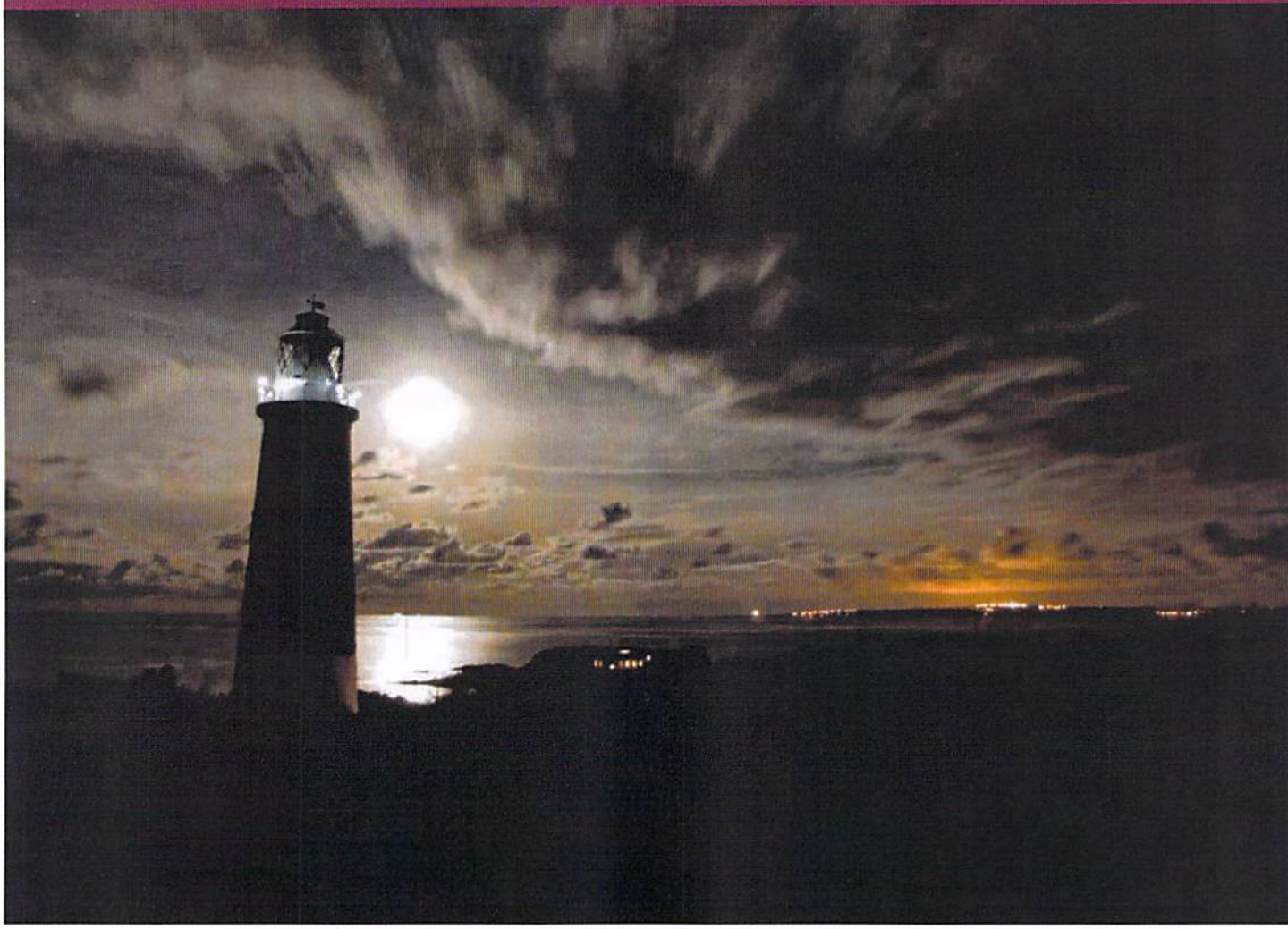
Alderney has proven experience in establishing and maintaining a robust, business-friendly online gaming jurisdiction and plays an active role in international regulatory bodies such as the Gaming Regulators European Forum (GREF) and the International Association of Gaming Regulators (IAGR). The Commission also shares this expertise with others through participation in the major industry conferences. Unfortunately the events of 2020 prevented many conferences from taking place as well as international regulatory bodies from being able to meet in person. However, virtual meetings have taken place throughout the year.

During the course of each year, members of the Commission ordinarily participate in various regulatory and industry conferences. In 2020 this was limited to the following:

- In February members of the Commission and its staff attended the International Casino Exhibition in London.
- In October the Director of Operations and a Deputy Director attended the eCrime and cybersecurity congress. This was a remote event.

The Commission did not participate in any further regulatory and industry conferences in 2020 as a result of the Covid-19 pandemic.

Anti-Money Laundering/Combatting the Financing of Terrorism



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

The Commission follows closely the guidance of the Financial Action Task Force ("FATF"), an inter-governmental body whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing. In order to meet FATF objectives, organisations are required to maintain comprehensive statistics regarding the effectiveness and efficiency of systems for combatting money laundering and terrorist financing. The Commission particularly notes and takes record of suspicious transaction reports by the Commission or its licensees and certificate holders, the details of onsite inspections, as well as any formal requests for assistance relating to AML/CFT issues. During the year 2,270 suspicious transaction reports were submitted by eGambling licensees and certificate holders.

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

The Commission works closely with key stakeholders in the Bailiwick and in particular the Guernsey Financial Intelligence Unit (Guernsey FIU). This co-operation takes many forms including regular face to face liaison meetings, routine sharing of intelligence and targeted thematic reviews. The Commission is grateful for the assistance it receives from the Guernsey FIU, the Guernsey Financial Services Commission and the States of Guernsey with regards to AML/CFT matters.

The Commission continues to be involved in a number of initiatives aimed at raising awareness of these issues with licensees and the public. During 2020 these included briefing and training sessions for staff, as well as consultation with other regulatory bodies. The Commission was unable to hold its annual AML/CFT event in 2020 as a result of the Covid-19 pandemic. As an alternative the Commission, in conjunction with the Guernsey Financial Intelligence Unit, filmed a number of video presentations which were released to licensees and certificate holders in early 2021. In addition, the Commission is represented at meetings of the Bailiwick's AML/CFT working groups: In 2020 the Commission revised its AML/CFT guidance following the implementation of the National Risk Assessment and legislative changes arising from the Alderney eGambling (Amendment) Ordinance, 2020.

All active licensees are ordinarily inspected within one year of the approved start of their live operations and annually thereafter. All inspections incorporate a careful examination of a licensee's AML/CFT procedures using a dedicated AML/CFT inspection template to ensure that they are robust. The on-site inspection will include reviews of player registration, payment systems, player due diligence and other controls used to prevent money laundering and to combat terrorist financing. However the events of 2020, including travel bans and requirements to isolate/quarantine, impacted on the Commission's ability to undertake on-site inspections overseas. As a result of this the Commission implemented a remote inspection regime with effective use of telephone and videoconferencing to maintain oversight of eGambling activity.

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

In 2010 the Bailiwick of Guernsey was the subject of an assessment of its AML/CFT regime and its compliance with the FATF Recommendations which was conducted by the International Monetary Fund (IMF). Following a request made by the United Kingdom, the Bailiwick of Guernsey (along with the other Crown Dependencies) joined MONEYVAL, a body of the Council of Europe, in 2012. Future assessments of the Bailiwick's AML/CFT regime will be undertaken by MONEYVAL. In 2013, MONEYVAL performed a Follow Up Review to examine progress made in relation to the implementation of the IMF's 2010 Core Recommendations. A further review took place in 2014 which was reported back to MONEYVAL at its 48th Plenary in Strasbourg in September, 2015. The findings of this were made public in January, 2016. MONEYVAL's findings that the Bailiwick's eGambling sector is highly compliant and that the Commission's regime is both effective and robust reflects our continuing commitment to meeting international standards and preventing money laundering and the funding of terrorism. The Commission continues to be part of the Bailiwick wide working group tasked with implementing the new FATF recommendations and participated in the work necessary for the Bailiwick to prepare its National Risk Assessment (NRA). The public version of the NRA was published in January 2020. The Commission continues to work towards the next MONEYVAL inspection of the Bailiwick which is scheduled to take place in 2023 and the Commission will be able to utilise the Director of Licensing's training as a MONEYVAL AML/CFT assessor in preparing the Commission for this inspection.

Licensing and Compliance Activity

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

After an application has been received, an initial investigation meeting will discuss in some detail the background to the application, the nature of the proposed eGambling activities and how the eGambling will be conducted. The discussion will also incorporate issues such as the financing, the individuals involved, and the software being used. This is to ensure that the Commission has a full and clear understanding of the proposition. The Licensing Directorate will then investigate each corporate and individual applicant looking at their business history and relevant experience, associated principals and business associates. The Commission may outsource certain elements of the investigation to suitable third parties where geographical or language constraints make it difficult to obtain the necessary confirmation of an applicant's fitness and propriety.

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

As at 31 December 2020, there were 35 registered licensees (2019, 32) consisting of 12 Category 1 licence holders (2019, 6), 11 Category 2 licence holders (2019, 13) and 12 holders of both Category 1 and 2 licences (2019, 13). There were 14 Category 2 Associate Certificates (C2AC) (2019, 12) in issue and 1 Category 1 and Category 2 Associate Certificate holder (2019, 2).

Details of the licences and certificates issued are as follows:

(1) Category 1 eGambling Licences;
Mayfair Online International Limited
Bayton (Alderney) Limited
Baytree (Alderney) Limited
Digimedia (Alderney) Limited
GM Gaming (Alderney) Limited
Greentube (Alderney) Limited

(2) Category 2 eGambling Licences;
Ready Play Limited

(1+2) Category 1 and 2 eGambling Licences;
None

(C1AC) Category 1 Associate Certificates;
None

(C2AC) Category 2 Associate Certificates;
Bonne Terre Limited
Ellipse Entertainment Limited
Daub (Alderney) Limited

(C1AC & C2AC) Category 1 and 2 Associate Certificates;
None

Hosting Certificates;
None

Licensing and Compliance Activity (continued)

The following allowed their licences and certificates to lapse:

Category 1 eGambling Licence;
None

Category 1 & 2 eGambling Licence;
JV Europe Limited

Category 2 eGambling Licence;
Relax Gaming Network Limited
Exchange Platform Solutions Limited
Play n Go Alderney Limited

Category 1 Associate Certificate;
None

Category 2 Associate Certificate;
PT Network Management Limited

(C1AC & C2AC) Category 1 and 2 Associate Certificates;
FUPMB Limited

Temporary Use eGambling Licence;
None

Greentube Alderney Limited were granted a Category 1 Licence but already held a Category 2 eGambling licence.

Bonne Terre Limited were granted a C2AC but already held Category 1 and 2 licences.

Ellipse Entertainment Limited were granted a C2AC but already held Category 1 and Category 2 licences.

Daub Alderney Limited were granted a C2AC but already held Category 1 and 2 licences.

Core Services Associate Certificates;
There were no Core Services Associate Certificates granted in 2020.

Seven holders of Core Services Associate Certificates allowed their certificates to lapse. The number of Core Services Associate Certificates in issue at the end of the year was 17 (2019, 24).

A complete list of licensees and certificate holders can be found on the Commission's website **www.gamblingcontrol.org**

Alongside licence applications, the Commission also approved 3 key individual applications (2019, 24). A significant number of licence and certificates were granted to entities already holding licences and certificates, or within the same group of companies, who utilised existing holders of key individual certificates.

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

Licensing and Compliance Activity (continued)

HOSTING CERTIFICATES

Holders of eGambling licences are required to house their gambling equipment in approved premises. Where gambling equipment is housed in the Bailiwick of Guernsey, it must be accommodated by a company which holds a hosting certificate. The first hosting certificates were issued in 2006 to Cable & Wireless (now trading as Sure (Guernsey) Limited), Itex and Newtel (now trading as JT (Guernsey) Limited). Currently 12 hosting certificates have been issued.

Under the 2009 Regulations, foreign hosting premises used by an Alderney licensee must be approved, although they need not hold a hosting certificate. The Commission believes that this regulatory structure more adequately serves the operational needs of an increasingly multi-jurisdictional gaming industry.

TEMPORARY LICENCES

A temporary licence allows a company to run eGambling operations from Alderney for a strictly limited period of time: no more than 30 days continuously or for an aggregate of 60 days in any six month period. This type of licence is designed to serve the needs of operators requiring short term use of Alderney based gambling equipment, whether for disaster recovery periods or perhaps for a period of transition from one location to another. There were no temporary licences in place at the end of 2020.

REGULATORY ACTIVITY – COMPLAINTS

The Commission has in place a complaints procedure to address player issues that have not been satisfactorily resolved by a licensee. During 2020, 16 complaints were received (2019, 23) and dealt with by the Commission, a decrease on the previous year. As a result of the European Union's Directive on Consumer Alternative Dispute Resolution the Commission no longer processes complaints for players based within the United Kingdom at first instance.

Complaints arose for various reasons, including:

- claims of unfair, fixed or biased gaming;
- bet disputes;
- ID requirement concerns;
- technical malfunctions;
- poor customer service;
- unfair game rules, terms and conditions or bonus requirements;
- unfair account closures;
- balance withdrawal issues;
- problem gambling;
- voided bets.

No Commission Hearings took place in 2020 which reflects the fact that all player complaints were dealt with without the need for a hearing.

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

Licensing and Compliance Activity (continued)

FURTHER APPROVAL

Following the Commission's approval of a licence, the licensee will then be required to obtain full approval of their gambling equipment and their internal control system (ICS). All gambling equipment – including random number generators and all relevant software and hardware - will be rigorously tested by an independent testing house to ensure compliance with the Commission's published technical standards. Four initial gambling equipment approvals and one conditional gambling equipment approval were made in 2020.

An ICS is a system of administrative controls and procedures used by a licensee when operating eGambling. Each ICS should be designed to provide:

- administrative control;
- accounting and financial control;
- controls over the operation of customer accounts and player funds;
- safeguards in relation to the security of the licensees systems;
- comprehensive and appropriate AML/CFT procedures;
- procedures for identifying fraudulent, problem or underage gambling.

Three initial ICS approvals were made in 2020 of which two were full approvals and one was conditional.

INSPECTIONS

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

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

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

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

During 2020, the compliance team carried out 13 inspections. In the main these demonstrated a high level of regulatory compliance by licensees and reaffirmed the importance of active operational controls.

Licensing and Compliance Activity (continued)

The curtailment of travel due to Covid-19 impacted the Commission's ability to perform on-site inspections. The Commission maintained its oversight of regulatory compliance through its long established off-site monitoring regime and complemented this with remote means of inspection. Telephone and videoconferencing can go some way to replacing on-site inspection activity and they afford the Commission a means of supervising gambling activity until such time as a full schedule of on-site inspections can be re-established.

SPECIAL INVESTIGATIONS

The Commission has the power to conduct a special investigation of a licensee at any time. This may be deemed necessary to confirm or review a licensee's operation, or where there are concerns regarding operational issues. While some of these may be conducted by visiting the licensee's premises, they can also be carried out remotely. The findings from a special investigation may lead to a speedy resolution of any underlying causes for concern, or in some instances the issuance of further sanctions. One special investigation was instigated in 2020.

SANCTIONS

The Commission has a range of sanctions at its disposal including financial penalties and, for the most serious regulatory breach, suspension or revocation of a licence or certificate. The Commission can also issue a "proposal to rectify" which can then be followed by a "direction to rectify" – in other words, instructions that the regulatory breach must be rectified within a specified time.
Where a breach of the regulations continues or becomes more serious, a regulatory hearing may be called as an opportunity for the licence or certificate holder to make representations and present their case to the Commission. There were no sanctions issued or regulatory hearings called during 2020.

SEGREGATION OF PLAYER FUNDS

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

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

Licensees are required to submit quarterly financial reports and monthly operational reports covering matters such as player activity, suspicious transactions, reversed transactions, and manual adjustments to customer funds. These are closely reviewed by the Commission, with any potentially contentious issues being flagged for further consideration. Licensees are also required to carry out a fully independent financial audit each year and to submit their audited accounts to the Commission. This requirement provides general assurance that operators have sufficient resources to continue operations for at least three months, in addition to segregating all customer funds. The Commission must be satisfied that acceptable arrangements to satisfy this requirement are in place before the licensee can gain approval for full activation of their operations.

Licensing and Compliance Activity (continued)

TRAINING AND INFORMATION SESSIONS

The Commission was unable to hold its annual AML/CFT training and information session for licensees in 2020 due to Covid-19 travel restrictions. In order to update licensees on recent developments such as legislation changes and the Commission's revised AML/CFT guidance a number of video presentations were recorded with assistance from the Guernsey Financial Intelligence Unit for dissemination to licensees in early 2021.

Technical Activity

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

Following such approval, the Commission then aims to control any significant subsequent changes using an automated change control system which allows licensees to enter and upload relevant information using a secure online portal. This system stores detailed information on licensees' approved games and is easier for licensees to use. The greater clarity of the information processed also ensures a significant increase in operational efficiency. There were 8,232 new games and gambling equipment approvals processed in 2020 (2019, 9,001).

Alderney Gambling Control Commission
Audited Financial Statements as at 31 December 2020

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.

The Commissioners have a reasonable expectation that the Commission has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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

OPINION

We have audited the financial statements of Alderney Gambling Control Commission (the 'Commission') for the year ended 31 December 2020 which comprise the Statement of Financial Position, the Statement of Comprehensive Income and Retained Earnings and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Commission's affairs as at 31 December 2020 and of its profit for the year then ended;
- are in accordance with United Kingdom Generally Accepted Accounting Practice; and
- comply with The Gambling (Alderney) Law, 1999.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, including the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER INFORMATION

The Commissioners are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

RESPECTIVE RESPONSIBILITIES

COMMISSIONERS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

As explained more fully in the Commissioners' responsibilities statement set out on page 17, the Commissioners are responsible for the preparation of the financial statements which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, and for such internal control as the Commissioners determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Commissioners are responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Commissioners either intend to liquidate the Commission or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Commissioners, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Commissioners with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

USE OF OUR REPORT

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.

Grant Thornton Limited
Chartered Accountants
St Peter Port, Guernsey

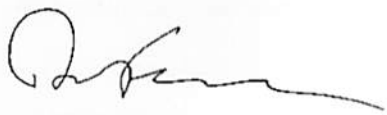
Date: 26 March 2021

Statement of Financial Position as at 31 December 2020

	Note	2020 £	2019 £
Fixed assets			
Computer, office equipment & furniture		21,741	27,836
Leasehold property		26,785	38,690
	3&4	48,526	66,526
Current assets			
Cash at bank and in hand	**5**	2,066,034	2,175,387
Debtors		1,677	–
Prepayments		10,116	10,997
		2,077,827	2,186,384
Creditors: amounts falling due within one year	**6**	(533,689)	(561,308)
Net current assets		1,544,138	1,625,076
Total assets less current liabilities		1,592,663	1,691,602
Capital and reserves			
Retained surplus brought forward		1,691,602	1,751,262
Net (deficit) for the year		(98,939)	(59,660)
Retained surplus		1,592,663	1,691,602

The notes on pages 24 to 28 are an integral part of these accounts.

The financial statements on pages 16 to 28 were approved by Alderney Gambling Control Commission on 26 March 2021 and signed on its behalf by:



Lord Richard Faulkner
Chairman

Statement of Comprehensive Income and Retained Earnings for the year ended 31 December 2020

	Note	2020	2019
		£	£
Income			
Licence fees	3	3,431,000	3,971,500
Fees charged to clients	3	512,698	589,648
Bank interest		6,659	10,458
		3,950,357	4,571,606
Expenditure			
Staff costs	8	1,638,844	1,816,079
Commissioners' fees	7	147,838	144,939
Premises, furniture and equipment		92,687	89,355
Web hosting		163,125	183,649
Consultancy		4,465	6,127
Conferences and general travel		17,217	100,410
Postage, stationery and telephone		22,757	22,256
Administrative expenses		184,531	188,752
Audit fees		7,063	9,466
Depreciation	4	29,007	56,407
		2,307,533	2,617,440
Total Comprehensive Income		1,642,823	1,954,166
Retained Earnings at 1 January		1,691,602	1,751,262
Total Comprehensive Income for the year		1,642,823	1,954,166
Distributions for the year		(1,741,762)	(2,013,826)
Retained earnings at 31 December		1,592,663	1,691,602

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

The notes on pages 24 to 28 form an integral part of these financial statements.

Notes to the Financial Statements for the year ended 31 December 2020

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 United Kingdom 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 Commission has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. 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 for the whole of 2020 and moving into 2021. The Commissioners are continuing to monitor the impact of COVID-19 but are confident that the pandemic will have no effect on going concern.

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. The significant accounting policies are set out below and have been applied consistently throughout the year.

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 (2019: £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 2020 (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

Financial assets and liabilities are recognised when the Commission becomes a party to the contractual provisions of the instrument. The financial assets and liabilities of the Commission consist wholly of basic 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 2020 (continued)

4. Fixed assets

	Equipment & Furniture £	Leasehold £	Total £
Cost			
At 1 January 2020	416,616	645,936	1,062,552
Additions	11,007	–	11,007
At 31 December 2020	427,623	645,936	1,073,559
Depreciation			
At 1 January 2020	388,780	607,247	996,027
Charge for year	17,102	11,904	29,006
At 31 December 2020	405,882	619,151	1,025,033
Net book value			
At 31 December 2020	21,741	26,785	48,526
At 31 December 2019	27,836	38,690	66,526

5. Cash at bank and in hand

	2020 £	2019 £
Business reserve account	252,987	370,832
Applicant and Licensee deposit account	464,695	502,910
Treasury accounts	1,000,017	1,000,017
Current account	348,316	301,508
Petty cash	19	120
	2,066,034	2,175,387

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 (2019: £nil).

Notes to the Financial Statements for the year ended 31 December 2020 (continued)

6. Creditors: amounts falling due within one year

	2020 £	2019 £
Refundable deposits	464,695	492,023
Creditors and accruals	68,994	69,285
	533,689	561,308

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. During the year, AGCC paid Commissioners fees and expenses totalling £147,838.

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 £139,845 (2019: £150,788) is included in staff costs. At the year-end there were no prepaid or outstanding contributions (2019: £nil).

During the year the average number of employees was 16 (2019: 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 2020 charged to the Income statement and included in premises, furniture and equipment expenditure were £51,860 (2019: £50,643).

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:

	2020 £	2019 £
Less than 1 year	£51,860	£50,643
Between 1 and 5 years	£116,695	£164,590
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 2020 (continued)

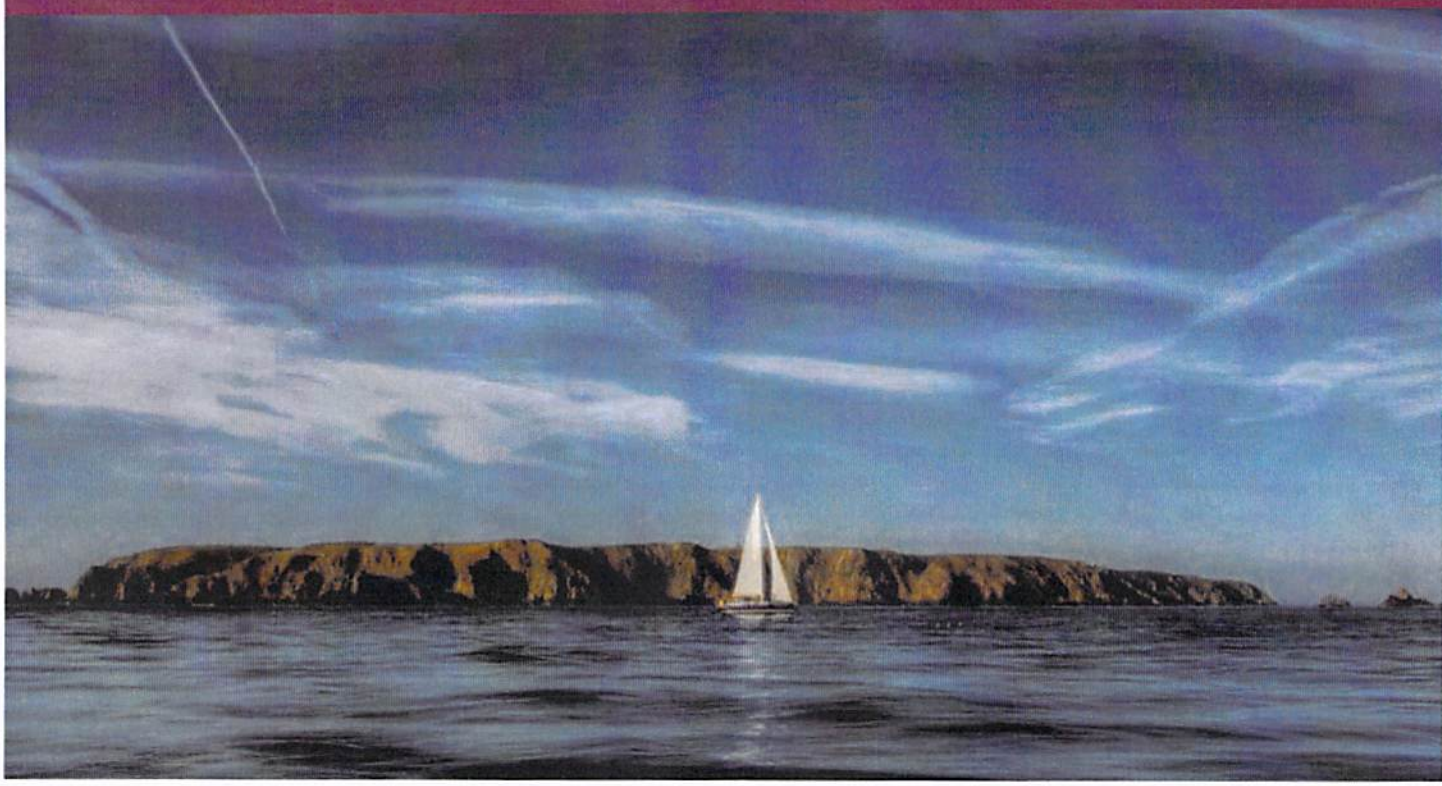
10. Transfers to the States of Alderney

During 2020 the States of Alderney received transfers from the retained surplus of £1,741,762 (2019 - £2,013,826).

11. Guernsey Income Tax

The Commission is not subject to Guernsey Income Tax.

Statistics



	2020	2019	2018	2017	2016	2015
Number of licensees	50	46[1]	53	56	57	54
New licences issued	Cat 1 6 Cat 2 1 C1AC 0 C2AC 3 Total new 6[2]	Cat 1 0 Cat 2 1 C1AC 0 C2AC 5 Total new 6	Cat 1 3 Cat 2 3 C1AC 2 C2AC 4 Total new 8	Cat 1 5 Cat 2 4 C2AC 3 Total new 9	Cat 1 3 Cat 2 3 C2AC 3 Total new 5	Cat 1 2 Cat 2 2 C2AC 3 Total new 7
No. licence appns refused	0	0	0	0	0	0
ICS Initial approvals	3	7	6	6	5	5
Inspections	13	33	37	36	38	39
Licensee/Compliance staff ratio[3]	7:1	5.5:1	6:1	6:1	6:1	5:1
Special investigations	1	0	1	1	1	0
Sanctions and AML/CFT remedial measures	27	86	85	35	50	47
Revocations	0	0	0	0	0	0
STR's copied	2,270 in total 2,251 eCasino 19 eGambling	1,517 in total 1,505 eCasino 12 eGambling	1,103 in total 1,078 eCasino 25 eGambling	320 in total 288 eCasino 32 eGambling	213 in total 165 eCasino 48 eGambling	122 in total 77 eCasino 45 eGambling
STR's submitted	0	1	0	0	1	1
Training events	0	1	1	1	1	1

[1] The licensee figure provided in the 2019 AML/CFT report (33) omitted C1AC and C2AC holders but included a licensee currently in liquidation. The documented figures in the 2020 Annual Report have been revised accordingly.

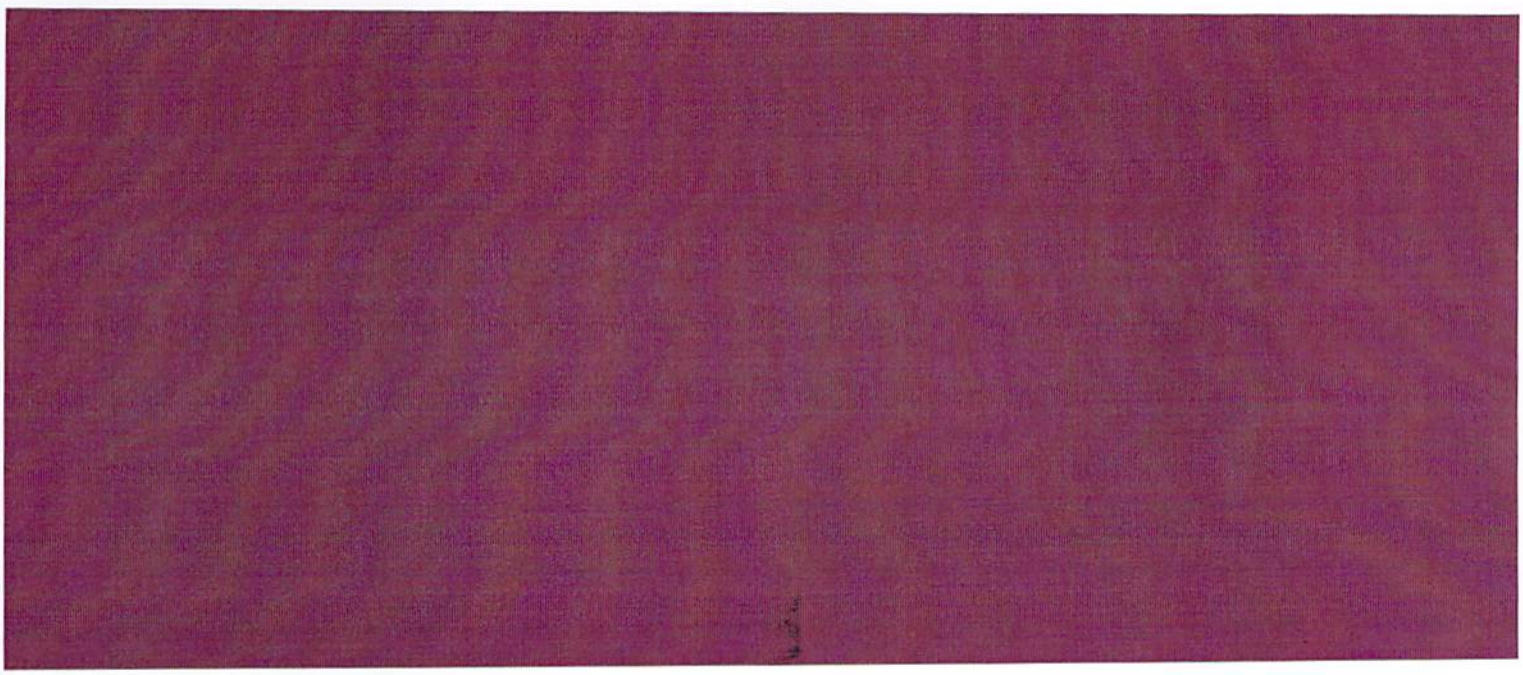
[2] The "Total new" figure refers to the number of newly licensed entities. An entity may hold a number of eGambling licenses and Category 1 and Category 2 Associate Certificates.

[3] The number of licences differs to the number of entities. A relationship manager may have responsibility for a number of licences that is in excess of the number of entities they deal with. Entities with multiple licences utilise the same staff members to handle the regulatory compliance of those licences collectively.

NOTE

Information regarding the composition of the Commission and staff at the Commission is updated in real time on the Commission's website. In addition a full list of licensees and certificate holders can be found on the Commission's website.

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



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