The Gambling Commission regulates gambling in the public interest. It does so by keeping crime out of gambling, by ensuring that gambling is conducted fairly and openly, and by protecting children and vulnerable people. The Commission also provides independent advice to government on gambling in Britain.

For further information or to register your interest in the Commission please visit its website at:

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Annual Report
2005|06
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Members of the Gambling Commission 2005|06

Peter Dean, CBE, Chairman
Ben Gunn, CBE, QPM
Bill Knight
Robert Lockwood, JP (retired 31 December 2005)
Gill Millburn, JP
Roy Penrose, OBE, QPM
Eve Salomon
Michael Steen
Jenny Williams (Chief Executive)

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Some key statistics at a glance

**Casinos:**
- Number operating: 140
- Drop (money exchanged for gaming chips): £4,231 million
- Number employed: 16,310
- Duty paid*: £143 million

**Bingo clubs:**
- Number operating: 657
- Money staked: £1,826 million
- Number employed: 18,500
- Duty paid*: £81.6 million

**Gaming machines:**
- Number of machines: 235,000
- Number certificated to sell, supply or maintain machines: 670
- Money retained by suppliers and site owners: £2.10 billion
- Number employed: 22,000
- Duty paid*: £154 million

**Charity lotteries:**
- Ticket sales: £138.7 million
- Number of registered societies: 660
- Number of local authorities: 0

**Gambling Commission:**
- Cost of operations: £10.2 million
- Cost of transition work: £4.2 million
- Number of staff: 93

* provisional figures from HM Revenue and Customs for 2005/06
Chairman’s statement

The Gambling Commission is among the first of a number of public sector bodies moving out of London as a result of the Lyons review. We identified Birmingham as the clearly preferred location for our new head office and have secured premises in the heart of the city. These are being fitted out to enable us to perform our functions in a modern and efficient way.

Our move to Birmingham, coupled with the much wider remit of the Commission as compared with its predecessor, has necessitated the recruitment of a range of new staff at all levels. An excellent new senior echelon is in place and other posts will be filled over the coming months. At the same time we are sadly but inevitably losing most of our London-based staff. We have built into the transition programme sufficient overlap to ensure that vital knowledge and skills are transferred to the new team. I take this opportunity to pay tribute to the highly professional way in which this difficult and sensitive exercise has been carried out, and to record my thanks to those staff who have left after many years of loyal service to the Gambling Board.

It will fall to the Gambling Commission to implement the wide-ranging and welcome reforms introduced by the Gambling Act 2005, and in particular to promote the three objectives spelt out in the Act: to keep gambling crime-free, to ensure that gambling is conducted fairly and openly and to protect children and other vulnerable persons. The new provisions are due to come into full effect in September 2007, and the period under review has been one of transition and intensive preparation as regards premises, people and policies.

The Commission has been and is still engaged in extensive policy development and consultation. The Gambling Act 2005 sets the framework of the new regulatory regime, leaving much detail to be dealt with in licence conditions, codes of practice and other documents. In recent months we have published several draft policy papers, making clear in each case that we welcome comments from interested parties. All comments will be taken into account before definitive policies are set.

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We have also launched the first of a series of large-scale national studies of the prevalence and nature of gambling generally and of problem gambling. The results will be published in summer 2007.

Two themes run through our policies. One is that the Commission will not hesitate, where necessary, to use the very considerable powers conferred on it to enforce strict compliance with regulation. The second is that, where appropriate, breaches will be prosecuted.

Meanwhile, until the Gambling Act comes into full effect in September 2007, the Commission continues to regulate under the provisions of the previous legislation. Regulation in this twilight period is not always straightforward. One example of the difficulties concerns advertising by remote gaming operators, such as those offering gaming sites on the internet. The current law on this is to be found in the Gaming Act 1968, which obviously pre-dated any notion of internet gambling. In effect, the Act does not ban the advertising of online gaming sites but strictly limits its content. During the year it became clear that, where appropriate, breaches will be prosecuted.

For probity. All responsible British operators recognise gambling industry in Britain enjoys a good reputation for probity. All responsible British operators recognise that gambling must be strictly regulated, and I expect them to adapt to the new regime, once settled, without undue difficulty.

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1 Introduction and general

Introduction

1.1 This is the first annual report of the Gambling Commission. The Commission was formally launched on 1 October 2005 under provisions in the Gambling Act 2005 which received Royal Assent on 7 April last year. The Act establishes the Commission as the new independent regulator for all commercial gambling (except the National Lottery and spread betting) in Great Britain. It took over the role previously held by the Gaming Board for Great Britain in regulating casinos, bingo clubs, gaming machines and the larger society (charitable) lotteries and will also have responsibility for regulating betting and remote gambling. Its core objectives as a regulator, enshrined in the 2005 Act, are to keep crime out of gambling, ensure that gambling is fair and open; and to protect children and other vulnerable people.

1.2 This Report covers the year 1 April 2005 to 31 March 2006, and therefore the activities of the Commission for the first half of the year and those of the Commission since. Where, however, significant events have occurred between the end of March and production of the Report, these have also been included. For convenience, the term Gambling Commission is used throughout except where the context makes it misleading. The Report contains in particular:

> an overview of the main developments during the year, the issues of most current interest or concern to the Commission and certain other general matters (this chapter);

> a description of the work in train to implement the new regulatory regime contained in the 2005 Act (Chapters 3 to 8); and

> a more detailed report on work and performance in each area of the Commission’s responsibilities (Chapters 3 to 8); and

> the Commission’s financial statement.

The Gambling Act 2005 and the Gambling Commission

1.3 The gambling industry in Great Britain is a substantial one. According to the latest available figures, published by the National Audit Office, gambling generated turnover of over £33 billion in 2003/04. Gross gambling yield (i.e. the amount retained by operators after the payment of winnings but before the deduction of the costs of the operation) was put at just over £8 billion in 2003, 20% higher than in 1999. Other estimates suggest that, of this £8 billion, about one-third was generated by the National Lottery and most of the remainder by those industries which are or will be regulated by the Commission.

1.4 An introductory guide to the gambling industry in Great Britain is being published by the Commission at the same time as this Report (‘Introduction to the Gambling Sector’, available on the Commission’s website): this gives a range of figures and information on different aspects of gambling. In respect of the sectors which the Commission currently regulates, a selection of key industry and Commission statistics is given at Appendix I and more detailed information is given in the individual chapters in this Report relating to each sector.

1.5 As mentioned above, the Gambling Act 2005 received Royal Assent on 7 April last year. That Act modernises and consolidates in a single piece of legislation the regulatory structure relating to commercial gambling and charitable lotteries. It replaces three earlier Acts which were 30 years or more old and inadequate for dealing with the modern gambling industry.

1.6 The main proposed reforms in the Act are in summary as follows:

> It sets out three basic licensing objectives which underpin the whole structure of the Act and the regulatory and licensing structure it creates. These objectives are, in shorthand, to keep crime out of gambling; to ensure that gambling is fair and open; and to protect children and other vulnerable persons.

> It establishes the Gambling Commission as the new national regulator for all forms of commercial gambling except the National Lottery (which is regulated by the National Lottery and Spread Betting Regulatory Authority).

> It introduces new ways of categorising gambling and the gambling commission, including new forms of gambling such as internet gaming and remote betting.

> It is in large part an anti-crime Act, designed to keep crime out of gambling and to protect children and other vulnerable persons.

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The Commission's new responsibilities and powers.

The Act charges the Gambling Commission with the effective system of licensing and regulation under the control of the Gambling Commission. Meanwhile, however, until the Act comes into effect in September 2007, the current unsatisfactory situation remains.

1.8 The Commission’s new responsibilities and powers will be taken up in stages as the provisions of the Gambling Act are brought into effect by government and it will be fully operational by autumn 2007. A description of the work underway by the Commission to prepare for the new regulatory regime is given in Chapter 2.

Remote gambling

1.9 As mentioned above, under the Gambling Act 2005, British based operators will be allowed to offer all types of remote gambling, whether via the internet, interactive television or any other media, within an effective system of licensing and regulation under the control of the Gambling Commission. Meanwhile, however, until the Act comes into effect in September 2007, the current unsatisfactory situation remains. Hence, no online casino gaming site can currently be lawfully established in the United Kingdom although residents of the United Kingdom are free to play on overseas sites, and those sites can accept bets from residents of the United Kingdom.

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1.10 As part of its work in monitoring remote gambling, the Commission includes a number of questions in a quarterly omnibus survey conducted by Independent Communications and Marketing Research Ltd (ICM). Between 2000 and 2006, the percentage of adults in those surveys who reported having gambled via the internet in the previous month rose from just under 1% to just over 2%. By comparison, over a similar period, internet in the previous month rose from just under 1% to just over 2%.

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1 Introduction and general

1.1 The Commission continues to deal with numbers of enquiries about remote gambling, in particular in respect of the extent to which operations or aspects of operations may be based in Britain. Often the issues are far from straightforward: in particular gambling via digital television raises complex issues about where and by whom the gambling is being organised and managed.

As reported last year, Sky TV had prepared and produced an updated policy which reflects both the developments in services offered interactively and the growing need to cover all forms of gambling and not simply gaming and fixed odds games. The revised policy was agreed with the Commission and published on 27 April 2006.

1.2 The question of the extent to which offshore online casino and other gaming sites may be advertised here has raised further problems. The (pre-Gambling Act 2005) legislation does not ban such advertising but strictly limits its content. In brief, advertisers give full details of the existence of internet casinos and the facilities they offer are legal but those which encourage the public to subscribe money or even to apply for information about facilities for subscribing money are not – a distinction which is in practice not always clear. During the year, the Commission and DCMS became increasingly concerned about the advertisements being published by certain foreign-based internet gambling companies clearly not within the scope of internet casinos and their facilities which are legal.

1.3 The advertisements were published in March 2006 to advertisers, publishers, and remote gaming operators on what is and is not permitted under current legislation. The guidance also went beyond what is permitted. After various informal attempts to control the flow of such advertising had failed, the Commission and DCMS issued formal joint guidance in March 2006 to advertisers, publishers, and remote gaming operators on what is and what is not permitted.

1.4 Given this potential for harm from gambling, the Commission welcomes the fact, as mentioned above, that protection of children and vulnerable is one of the three fundamental licensing objectives in the Gambling Act 2005 and that the Gambling Commission will have a duty to pursue the objectives in its work. This contrasts with the situation under the preceding legislation where the Gaming Board, as the Commission’s predecessor, had no statutory duty in this regard, although it had long taken a keen interest in the matter.

1.5 Thus, unlike its predecessor, the Gambling Commission will have a significant, formal role in seeking to protect vulnerable people from the potential harmful effects of gambling. In particular the Commission will be responsible for issuing licence conditions and codes of practice to which licensed gambling operators will be required to adhere. The Commission published for consultation the first draft of these conditions and codes in March 2006. They cover such matters as the provision of information to customers on how to gamble responsibly and how to access information about problem gambling; the development by operators of policies on the types of behaviour that their employees should be expected to recognise as indicating potential problem gambling amongst their customers; the development of intervention strategies in such cases; and robust systems which allow customers to self-exclude from gambling. The Commission will be responsible for ensuring compliance with the licence conditions and codes.

Problem gambling

1.6 A small minority of people gamble to excess and so can cause themselves financial and other problems such as damage to their families and the disruption of personal relationships. For some of them, excessive gambling is an addiction. The large scale British Gambling Prevalence Study conducted in autumn 1999, under the auspices of GamCare and with support from gambling industry bodies, suggested that about 0.6% to 0.8% of the population, or between 275,000 and 370,000 people, aged 16 or over in Britain were problem gamblers. In absolute terms, this is a substantial number, albeit relatively low by international standards.

As set out in paragraphs 2.9 and 2.10, the Commission is currently arranging the first of a series of large scale prevalence studies for which it will have responsibility and which will update the figures from the 1999 study.

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1.16 In addition the Commission will have responsibility more broadly for monitoring the social impact of the increased access to gambling products and services which the new legislation will permit. It will also have a duty to respond to findings concerning changes in problem gambling and, in the light of this, to make appropriate adjustments to its regulatory approach and to advise the Government on any other necessary legislative changes. The regular large scale prevalence studies mentioned above will be one key element of the monitoring arrangements.

1.17 Separately the gambling industry has established the Responsibility in Gambling Trust which seeks to raise awareness about problem gambling and to commission treatment, prevention and education, and research into problem gambling, for the country as a whole. The Trust is chaired by an independent Chairman, has a majority of independent trustees and has a full-time Director with three support staff. During 2005/06 amongst other things it:

- > £2.2 million in donations from the gambling industry;
- > made grants of £1.1 million to CamCare and £0.4 million to Gordon House, the two main charities which provide support for problem gamblers;
- > commissioned a leading supplier of educational resources to produce material for use with school children and other young people on the risks inherent in irresponsible gambling;
- > allocated £500,000 to a research programme, which the Economic and Social Research Council matched with another £500,000, and commissioned six research projects in accordance with its agreed research strategy.

The Commission’s Deputy Chief Executive is one of the independent trustees, one of its Commissioners (Gill Millburn) is a member of the Trust’s Communications and External Affairs Committee and a member of the Commission’s staff serves on the Trust’s Scientific Advisory Board.

1.18 The Commission applies what the industry has so far achieved through the Trust. It knows that some of those who contribute are concerned about the additional burden that might fall on them because others refuse to do so under a voluntary scheme and that there are some more general concerns that funding will be inadequate to meet needs. The Board shares such concerns and hopes that the problems can be resolved in order to avoid the Government imposing a statutory scheme, for which provision has been made in the Gambling Act 2005 should it prove necessary. One of the Commission’s proposed social responsibility code of practice provisions will require operators to demonstrate how they will contribute to the overall gambling industry approach to tackling problem gambling. Contributing to the Trust will be one way in which operators can demonstrate their commitment.

Commission funding

1.19 The operating and capital costs of all the Commission’s activities are funded by grant-in-aid from the DCMS as set out in the Commission’s Funding Agreement which covers the period 1 April 2005 to 31 March 2008. This funding is designed to cover not only the operational costs associated with the part year running for each of the Gaming Board and Gambling Commission in 2005/06 but also the costs associated with the transition of the Gaming Board to the Gambling Commission, including relocation to new accommodation in Birmingham and the installation of new IT systems. For 2005/06 total operational costs of £10.2 million were incurred, split between the Gaming Commission and the Gambling Commission.

1.20 The Commission is required to cover its expenditure on operations, along with the costs of work on gaming and lotteries related issues carried out by the Government, the police and in support of licensing authorities, through the fees charged for certification and licensing. During the year, in accordance with past practice, a schedule of fees was prepared for the 2006/07 year based upon an estimate of the level of licensing, certification and compliance activity, and the Commission’s operational costs for 2006/07. No account was taken of costs associated with the transition process as any such costs deemed recoverable will be taken into account when setting fees under the new licensing regime. On the basis of the estimates produced it was decided that increases in fees may be necessary of 5.5% for gaming industry certificates of approval, 6% on gaming machine supplier certificates and bingo (except for bingo licence renewal at 10%), and 4% on casinos (except for casino licence renewal at 10%) and lottery registrations and certificates.

These increases in fees took effect from 1 April 2006. A full list of current gaming and lotteries fees is given in Appendix IV.

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In Appendix IV.

1.20 Commission funding and fee levels

Commission funding and fee levels

The Gambling Commission
1 Introduction and general

continued

1.21 For 2006/07 DCMS will continue to fund the Commission through grant-in-aid in line with the Funding Agreement covering again the costs of ongoing operations as well as the transition project. This means of funding will remain in place until the Gambling Commission implements the new licensing system, reflecting the provisions of the Gambling Act 2005, in 2007. When the new system comes into effect, the Commission will be required to fund directly its work through the fees collected, rather than surrendering the fees to the DCMS as in the past. Commissioners take collective responsibility for all areas of the Commission’s operations although Michael Steen is tasked with taking a special interest in relation to all aspects of the gambling industries in Scotland. To this end, he made two visits to Scotland during which he met Scottish Executive officials and visited a number of gaming premises.

1.23 The staffing structure of the Commission is inevitably undergoing substantial change as work in preparation for the new regulatory regime proceeds. The Gaming Board directly recruited its inspectorate but all administrative staff were civil servants seconded from the Department for Culture, Media and Sport or other government departments. In contrast, the Gambling Commission will recruit all its staff directly, albeit it may use secondees where the nature of the work suggests that is the best course.

1.24 The work of the Commission and its staff is described in the following chapters. The Commission has set performance targets for some of the regular duties carried out by its staff for which fees are charged. These targets and the performance achieved against them are given in the following table:

Table 1a Performance targets 2005/06

<table>
<thead>
<tr>
<th>Section and certificate/registration</th>
<th>Target %</th>
<th>Achieved %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Casino Section Determination of certificate of consent applications within 12 weeks of receipt where the applicant already holds an earlier certificate</td>
<td>90</td>
<td>*64</td>
</tr>
<tr>
<td>Bingo Section Determination of certificate of consent applications within six weeks of receipt where the applicant already holds an earlier certificate</td>
<td>80</td>
<td>94</td>
</tr>
<tr>
<td>Certification Section Issue of dealers’ certificates of approval to first time applicants within six weeks of receipt</td>
<td>85</td>
<td>**78</td>
</tr>
<tr>
<td>Machines Section Determination of applications for new certificates within three months of receipt</td>
<td>80</td>
<td>83</td>
</tr>
<tr>
<td>Determination of renewal applications before expiry date</td>
<td>90</td>
<td>93</td>
</tr>
<tr>
<td>Lotteries Section Determination of applications to register lottery schemes within six weeks of receipt</td>
<td>90</td>
<td>100</td>
</tr>
</tbody>
</table>

* A large increase occurred in 2005/06, in advance of the deadline for applications under the 1968 Gaming Act (see Chapter 3), in the volume of applications received and determined both for applicants who already held a certificate and those that did not. The consequential increase in workload resulted in some delays.
** Continued delays in receipt of disclosures from the Criminal Records Bureau was the main reason for the failure to meet the target (see paragraph 5.12).
The Gambling Commission

Introduction and general

1.25 The Comptroller and Auditor General (C & AG) has been appointed as external auditor to the Gambling Commission and the National Audit Office (NAO) carries out audits on his behalf. The audit of the 2005/06 account was in two parts; an audit of the Gaming Board's closing account covering the period 1 April 2005 to 30 September 2005 and an audit of the Commission's opening account from 1 October 2005 to 31 March 2006. The two audits were completed in June 2006 and the audited accounts are given in Appendix II.

Audits

1.26 Deloitte act as the Commission's internal auditors. They drew up and agreed a programme of work based on an analysis of the key risks to the Commission's operations identified in the risk management strategy and risk register. In 2005/06, audits were conducted in respect of business planning, risk management, finance controls, purchasing and payments, payroll, the transition project risk register and information technology. All resulting recommendations were accepted and either have been or are in the process of being actioned. Deloitte were able to attach a substantial level of assurance to all the areas they examined.

International activities

1.29 During the year, the Commission continued to develop its contacts with regulators and others concerned with gambling throughout the world. The Commission considers such contact to be essential in facilitating the exchange of views and information on what is an international industry. The Commission’s Deputy Chief Executive is Chairman of the Gaming Regulators European Forum (GREF). The Commission was represented at GREF’s annual meeting in Brussels, Belgium in May 2005. Representatives from a total of 23 countries attended. The Commission was also represented at the annual conferences of the International Association of Gaming Attorneys (IAGA) and Regulators (IAGR) in Vancouver, Canada in September 2005. Two Commissioners attended the G2E gaming show and convention in Las Vegas, also in September 2005.
2 Implementation of the Gambling Act 2005

Introduction

2.1 As explained in Chapter 1, the Gambling Act 2005 received Royal Assent in April last year and it is due to be implemented in full in September 2007. In preparation, the Gambling Commission, as the new industry regulator, was formally established on 1 October 2005. The Commission is now pushing ahead with the large volume of work needed to achieve effective implementation of the Act.

2.2 The Gaming Board's annual reports in previous years have looked forward to the arrangements covering the transition to the Gambling Commission. The planning undertaken in earlier years by the Board has enabled the transition to the Commission to start quickly and run smoothly. There are two main strands to the work that the Commission is conducting in preparation for the new regulatory regime.

(i) Establishing the regulatory structure

2.3 The 2005 Act provides a substantially different regulatory structure to that under previous legislation. In addition to widening the Gambling Commission’s remit to cover more sectors than the Gaming Board, the legislation is less prescriptive and leaves much more to regulations prepared by the Secretary of State and to licence conditions and codes of practice prepared by the Commission. In addition it requires the Commission to prepare statements both on specific issues on problem gambling which sets out the Commission’s approach to carrying out its responsibilities to protect the vulnerable.

Copies of all these publications can be found on and downloaded from the Commission’s website.

(ii) Establishing the Gambling Commission infrastructure

2.5 The role of the Gambling Commission has been considerably enhanced over that of the Gaming Board and will require a substantially larger organisation. Furthermore the Government decided that the new body should be established outside London and South East. After careful analysis of several options the Commission resolved to establish its headquarters in Birmingham. On 17 October 2005, the Commission intends to apply to operating and personal licences (10 March 2006); and

(a) draft guidance to licensing authorities on their duties in respect of the administration of small society lotteries (4 April 2006); and

(b) a paper (intended to be the first in a series of papers on specific issues) on problem gambling which sets out the Commission’s approach to carrying out its responsibilities to protect the vulnerable.

5 A report (16 December 2005) and draft guidance to licensing authorities on their duties in operating and personal licences.

2.6 In preparation for all this, the Commission has so far:

> closed the Gaming Board’s systems and accounts so far:

> the public;

> prepared for the new licensing duties; and

> a major document giving first draft versions of the legislation is less prescriptive and leaves much more to regulations prepared by the Secretary of State and to licence conditions and codes of practice under the new Act. In particular, the Commission intended to apply to operating and personal licences (10 March 2006); and

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Copies of all these publications can be found on and downloaded from the Commission’s website.

2.4 Reflecting all this, the Commission has undertaken formal and informal consultation on the policy and procedural details of the new Gambling Act regulatory regime with the industry, interested parties, media and Government and in doing so has published a range of formal consultation papers as well as had regular informal meetings and discussions on the detailed practical arrangements it proposes to establish from 1 January 2007. In particular, the Commission has published:

> its draft statement of the principles on licensing and regulation which it intends to apply in conducting its duties in licensing and regulating gambling (17 October 2005);

> both the draft (16 December 2005) and final (28 April 2006) versions of the first part of its guidance to licensing authorities, which is primarily designed to help those authorities draw up their three-year statements of licensing policy and to prepare for their new licensing duties;

> a major document giving first draft versions of the licence conditions and codes of practice that the Commission intends to apply to operating and personal licences (10 March 2006);

> draft guidance to licensing authorities on their duties in operating and personal licences;

> a drafting consultation paper on the licensing of (17 October 2005); and

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Following a competitive tendering process, another major piece of work has been the building of the casino, bingo, machines and lotteries sectors under the pre-2005 Act regime has continued as before. All this work on transition has been undertaken with minimal disruption to the Commission's operations during a period when the work of regulating and licensing was still necessary under the 1968 Gaming Act and 1976 Lotteries and Amusements Act as Human Resources and Finance departments; and transferred that work to Victoria Square House, Birmingham; in June 2006 relocated to new offices in Victoria Square House, Birmingham; and the Commission’s IT systems was well advanced. These are designed to produce significant operational savings both for the Commission and for applicants and licensees by automating much of the licensing and compliance work. The Commission also expects information burden online with savings for them as well as the Commission.

2.9 Another major piece of work has been the preparation for the Gambling Prevalence Study. This is to be the first in a series of such studies by the Commission intended to measure the prevalence of gambling and problem gambling to be used as benchmarks against which to measure the impact of gambling and its regulation.

2.10 Following a competitive tendering process, the Commission has contracted with the National Centre for Social Research (NatCen), who conducted the previous 1999 prevalence study (see paragraph 1.13), to undertake the survey work and engaged the academic, industry and other sectors in detailed discussions on both methodology and question content. The fieldwork for the survey will get underway this summer, with the results published some time next year. The aims of the study are to:

> measure the prevalence of participation in all forms of commercial and private gambling (including estimates of expenditure and information on venue);
> estimate the prevalence of problem gambling and look at which activities have the highest prevalence of problem gamblers;
> investigate the socio-demographic factors associated with gambling and with problem gambling; and
> explore attitudes towards gambling.

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> explore attitudes towards gambling.
## 3 Casino gaming

### Introduction

3.1 This chapter examines significant developments in the casino industry and its regulation during 2005/06.

3.2 The Gambling Act 2005 changes fundamentally the regulatory and licensing regime for casinos. Until now, casinos could be established in 53 permitted areas in England, Wales and Scotland providing that licensing justices are content to grant a licence in the light of prospective demand. Under the 2005 Gambling Act, only 17 further casinos will be permitted. The 17 casinos will be much larger in terms of facilities offered than those currently permitted and will be in three categories (one regional, eight large and eight small, defined in terms of gambling and non-gambling areas). The final date for applications under the 1968 Gaming Act was 28 April 2006. Casinos established under the 1968 Act will be allowed to continue in operation when the new Act is implemented.

### Number of licensed casinos

3.3 There were 165 licensed casinos in Great Britain at 31 March 2006 (17 more than a year earlier) of which 140 (two more) were trading at that date. This compares with 118 trading five years ago at 31 March 2001. One of the operating casinos provides card room games only. The distribution of individual operating casinos by location is given in Appendix V.

3.4 13 new licences in respect of entirely new additional casinos were granted during 2005/06. None of these was operational by 31 March 2006. A further eight clubs licensed in earlier years were also still not operational (see paragraph 3.6).

3.5 During the year two new concurrent licences were granted in respect of premises that were being expanded or relocated. In total, there were four casinos with concurrent licences at 31 March 2006.

### Table 3a Structure of casino ownership

<table>
<thead>
<tr>
<th>Company</th>
<th>No. of licensed casinos</th>
<th>Developments and changes during 2004/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stanley Leisure Group Plc</td>
<td>45 (4 in London)</td>
<td>Walsall casino remains closed but licence has been retained. A continuance application is in progress following Stanley's purchase of RJ Bown's 3 casinos</td>
</tr>
<tr>
<td>Rank Group Plc</td>
<td>44 (6 in London)</td>
<td>New casinos in Dundee, Swansea, Walsall, Reading, Birmingham, Aberdeen, Birkenhead and Stockton licensed but not yet trading</td>
</tr>
<tr>
<td>Gala Group</td>
<td>32 (5 in London)</td>
<td>New casinos in Bristol and Derby licensed but not yet trading. Gala purchased Leopoldino's Casino, Liverpool, in February 2006</td>
</tr>
<tr>
<td>London Clubs International</td>
<td>12 (5 in London)</td>
<td>New casinos in Manchester, Nottingham, Glasgow and Leeds and London licensed but not yet trading</td>
</tr>
<tr>
<td>Clockfair Ltd</td>
<td>2 casinos (none in London)</td>
<td>New casino in Birmingham began trading in April 2005</td>
</tr>
<tr>
<td>Singleton Operators</td>
<td>17 casinos (4 in London) and 1 dedicated card club</td>
<td>Four singleton operators are licensed but not yet trading</td>
</tr>
</tbody>
</table>
During the year the number of casino operators increased from 24 to 26 with two newcomers to the business. The overall structure of casino ownership at 31 March 2006 was as shown in Table 3a.

### Applications for certificates of consent and their continuance

#### 3.7 The Commission and its predecessor, the Gaming Board, received 105 applications during 2005/06, of which 67 were for new certificates, 35 were continuance applications and three were for transfer of licences. This compares with 75 applications for certificates of consent or their continuance during 2004/05, comprising 29 applications for new certificates, 45 continuance applications and one application for a certificate to transfer a licence to a different operating company.

#### 3.8 Of the 65 applications received for new certificates of consent, 56 were in respect of proposed new casinos and two were for new card clubs to operate under new certificates, 45 continuance applications and one application for a certificate to transfer a licence to a different operating company.

#### 3.9 The three transfer applications received during the year were outstanding at 31 March 2006. They consisted of 17 new certificate of consent applications outstanding, 17 were withdrawn and 11 were approved during the year and were outstanding at 31 March 2006. Of the 17 new certificate of consent applications outstanding, 11 were approved during 2005/06, three were withdrawn, and three were still outstanding on 31 March 2006.

#### 3.10 At 31 March 2006, there were 65 outstanding applications for certificates of consent, consisting of 23 for new casinos (of which four were for substitute or extended premises), three for transfer of a licence and 39 were for continuance. Detailed figures on the outcome of consent and licensing applications during 2005/06 are given in the tables at the end of this chapter.

#### Operators not previously known to the Commission

#### 3.11 61 consent applications had been outstanding at 31 March 2005. 17 were for proposed new additional casinos, and 44 were continuance applications. Of the latter, 42 were in respect of Gentings’ purchase of 17.5% of the share capital of Stanley plc and a further application resulted from Gentings’ sale of a 50% share in Maxim’s casino to Stanley. The other continuance application outstanding from last year was of a technical nature, from a company wishing to restructure its shareholding. All these outstanding continuance applications were approved during 2005/06. Of the 17 new certificate of consent applications outstanding, 11 were approved during 2005/06, three were withdrawn, and three were still outstanding on 31 March 2006.

### Operators not previously known to the Commission

#### 3.12 At 31 March 2006, there were 65 outstanding applications for certificates of consent, consisting of 23 for new casinos (of which four were for substitute or extended premises), three for transfer of a licence and 39 were for continuance. Detailed figures on the outcome of consent and licensing applications during 2005/06 are given in the tables at the end of this chapter.

#### Operators not previously known to the Commission

#### 3.13 During 2005/06 certificate of consent applications from operators not previously known to the Commission continued at higher levels than previously. A total of 35 certificate of consent applications were submitted from 14 potential new operators, one of whom had overseas connections, six were bingo operators seeking to diversify and two aimed to operate poker clubs with casino licences. The overseas operator submitted 16 applications, all for casinos in hotels. Investigating the soundness and probity of companies new to the British casino industry requires significantly more resources than the consideration of routine applications from operators already known.
Demand for casino gaming and the Commission’s approach to licensing hearings

3.14 The Gaming Act 1968 at paragraph 18 to Schedule 2 places a responsibility on licensing authorities to consider demand for gaming before granting a licence and gives them a discretion to refuse an application if unmet demand is not demonstrated. To help the licensing authorities in this exercise, the Act empowers the Commission to provide advice on demand to the authorities and requires these authorities to take that advice into account. It is also open to the Commission to lodge an objection on grounds of lack of demand should it be considered appropriate.

3.15 In June 2002, in the light of developments in policy towards casinos, the Commission’s predecessor, the Gaming Board, looked again at the approach it should take on applications for new casino licences or for increases in facilities at existing casinos, and decided that it would in future only object to such applications if a situation arose where, as a regulator, it had reasons to believe that problems of control would result. The Gambling Commission has continued that policy and is thus now generally neutral towards all such applications unless there are issues of regulatory concern relating to the individual case. The lack of objection on demand grounds does not however mean the Commission necessarily supports the grant of a licence. Its position in such cases is that it remains for the applicants to establish the existence of unmet demand if they seek a licence on that ground.

3.16 Last year’s report (paragraph 2.14) suggested that the prospect of expansion of the industry might lead to a decline in trade objections on demand grounds from casino operators to their rivals’ applications for new casino licences. This has not proved to be the case.

3.17 Until the last of the applications under the 1968 Gaming Act has been dealt with, the lack of objection on demand grounds continues to promote demand advice in writing to the Clerk to the Justices (or Licensing Board in Scotland) in advance of each licence application hearing. It will endeavour to do so two weeks beforehand to enable the members of the committee to give it due consideration before the hearing.

3.18 Although the Commission is likely to object only rarely at licensing hearings, it will continue to be represented at hearings in cases where it judges this to be helpful, either by one of its Inspectors or if necessary by its legal advisers.

3.19 The Commission’s policy and the powers available to licensing authorities under existing legislation on demand and residual discretion are set out in its advice to licensing authorities for the 2006 sessions, a copy of which is available on the Commission’s website.

New licence applications for additional casinos

3.20 During the year 13 applications for additional casino licences were granted. The Commission did not object at any of the licence hearings. The 13 applications were:

- Aberdeen – an application from Grosvenor Casinos (part of the Rank Group)
- Birkenhead – an application from Grosvenor Casinos
- Birmingham (Acocks Green) – an application from Grosvenor Casinos
- Coventry – an application from Isle of Capri Casinos
- Derby – an application from the Gala Group
- Leeds – an application from London Clubs International plc
- London (Leicester Square) – an application from London Clubs International plc
- London W2 – an application from Paddington Casino Ltd
- Nottingham – an application from the Stanley Leisure Group plc
- Reading – an application from Grosvenor Casinos
- Stockton – an application from Grosvenor Casinos
- Swansea – an application from Lanes Casino Ltd
- Warley (Oldbury) – an application from Grosvenor Casinos.

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- Stockton – an application from Grosvenor Casinos
- Swansea – an application from Lanes Casino Ltd
- Warley (Oldbury) – an application from Grosvenor Casinos.
Throughout the year, regular and constructive discussions continued on the report of the Commission’s inquiry into anti-social behaviour at casinos. This covered issues such as public safety, gambling, money laundering, and other matters. The Commission noted that its recommendations had been generally well received by the industry.

### Gaming Year

#### New Casinos under the 1968 Gaming Act

- **Total 278 applications:**
  - 1 regional casino: 5,000 square metres (53,820 square feet)
  - 8 large casinos: 1,500 square metres (16,146 square feet)
  - 8 small casinos: 750 square metres (8,073 square feet)

#### Endings of applications for new casinos under the 1968 Gaming Act

- **Operating casinos (includes one card club):** 140
- **Licensed but not operating:** 27
- **Awaiting outcome of licensing application (of which two were for substitute or extended premises):** 32
- **Awaiting outcome of certificate of consent application (of which eight were for card clubs and 17 were for substitute or extended premises):** 79

#### Total: 278

If all outstanding applications were to be successful, there would thus be nine card clubs and 250 casinos licensed under the 1968 Act. In addition there are two outstanding appeals against refusal to issue a licence.

### Gaming Areas

- **3.24 Paragraph 2.20 of last year’s report said that only British casinos had gaming areas exceeding 5,000 square feet (464 square metres) and that the club with the largest gaming area in Great Britain was Stanley’s Birmingham Star City casino, whose gaming area of 21,000 square feet (1,950 square metres) was almost double the size of its nearest rival. The Gambling Commission said that the minimum total customer area requirements for these categories will be as follows:**

<table>
<thead>
<tr>
<th>Category</th>
<th>Minimum Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Casino</td>
<td>5,000 square metres</td>
</tr>
<tr>
<td>Large Casino</td>
<td>1,500 square metres</td>
</tr>
<tr>
<td>Small Casino</td>
<td>750 square metres</td>
</tr>
</tbody>
</table>

### Meetings with the trade associations and casino operators

- **3.26 Throughout the year, regular and constructive dialogue was maintained between the Commission’s officials and representatives of the trade associations, the British Casino Association (BCA) and the Casino Operators’ Association of the UK (COA). The Working Group of Commission officials and BCA and COA representatives met formally four times during the period covered by this Report. Amongst matters discussed, those of most concern to the industry continued to be the new regulations on money laundering (see paragraphs 3.42 and 3.43) and progress in implementing the new gambling legislation. Other issues included the need for casino companies as employers to have clearly understood anti-drugs policies, players’ ability to predict outcomes and progress in increasing the number of casinos with anti-drug policies, players’ ability to predict outcomes and companies as employers to have clearly understood anti-money laundering (see paragraphs 3.42 and 3.43) and progress in implementing the new gambling legislation. Other issues included the need for casino companies as employers to have clearly understood anti-drugs policies, players’ ability to predict outcomes and companies as employers to have clearly understood anti-money laundering (see paragraphs 3.42 and 3.43) and progress in implementing the new gambling legislation. Other issues included the need for casino companies as employers to have clearly understood anti-

- **3.27 The Commission is pleased to note that all the new operators entering the casino industry have joined a trade association and that only one company is unrepresented by the associations. The Commission values the role of the BCA and COA in providing a channel of communication between the industry and its regulator.**

- **3.28 The Commission had hoped to continue the programme of informal meetings with casino operators to discuss various regulatory and other issues. It was not, however, possible to arrange any such meetings during 2005/06 as priority had to be given to formal meetings with the trade associations and casino operators. The Commission values the role of the BCA and COA in providing a channel of communication between the industry and its regulator.**

### Excess of 5,000 square feet

Excess of 5,000 square feet. They included three for new casinos in the 20,000 square feet range.

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**The Gambling Commission**

**3 Casino gaming**
Easing of restrictions on casino gaming

3.29 The period covered by this Report has seen some further easing of the restrictions on casinos. These are in addition to those reported in previous years.

3.30 From 1 October 2005 new casino members no longer have to wait 24 hours to take part in gaming (making it easier for tourists on a short visit to join a casino) and also generous allowances for jackpot (gaming) machines in casinos were introduced. Hence, a Commencement Order made under the 2005 Gambling Act (S.I. 2005 No. 2455) amended the 1968 Gaming Act to increase the number of jackpot machines allowed in a casino to 20. From 31 October 2005 further changes took place. The Gaming Machines (Maximum Prizes) Regulations 2005 (S.I. 2005 No. 2775) increased the prizes for jackpot machines in casinos to a maximum of £4,000. The Gaming Act (Variation of Monetary Limits) Order 2005 (S.I. 2005 No. 2776) increased the related maximum stake to £2 and also allows casinos to offer a new style of gaming machine with a maximum stake of £100, and a maximum prize of £500. The new style of gaming machine, with a maximum stake of £100, and a maximum prize of £500. The new style of gaming machine, with a maximum stake of £100, and a maximum prize of £500.

3.31 Involvement of Commission and the Gambling Commission continued

Casinos adjacent to bingo clubs

3.33 Last year's report (paragraph 2.26) mentioned the granting of casino licences if there was direct internal access to the casino from other (non-public) premises. This restriction was intended to support the separation of gaming from other leisure activities. Now that restrictions under section 21 of the 1968 Gaming Act are no longer applicable, no confusion between separate licensed gambling premises exists.

Involved of Commission certificated companies in gaming overseas

3.34 Casino gaming is an international industry.Whilst the Commission has no objections to operators licensed in Britain having overseas interests or to foreign ownership of British casinos, subject to meeting the relevant legislative requirements, it nevertheless expects that...
During the year, the Commission and DCMS
The Commission is concerned about the growing
The 1968 Act was not designed to cover modern
to offer gaming from offshore sites. Officials also
jurisdictions has continued to be monitored, and
market of internet gaming sites based in overseas
casino gaming
Internet and other remote
casino gaming
3.36 The 1968 Gaming Act precludes online or remote
casino gaming operations being established in Great
Britain. The Act requires British-based casinos to be
of advertisements for online gaming sites in breach
of the requirements of section 42 of the 1968 Gaming
Act, which severely restrict the way in which casinos
may advertise. Officials held meetings with the
Advertising Standards Authority (ASA) and the
Committee for Advertising Practice (CAP) which
resulted in guidance being issued by the CAP in
June 2005. More comprehensive guidance was issued
jointly by the Commission and DCMS in March 2006
(see paragraph 1.12).
3.38 During the year, the Commission and DCMS
became increasingly concerned with the proliferation
of advertisements for online gaming sites in breach
to regulate sites on which substantial numbers of
GB players have engaged. Officials have noted that
operators have made substantial changes to their
website copy and online promotions. This has
resulted in guidance being issued by the CAP in
2005. More comprehensive guidance was issued
jointly by the Commission and DCMS in March 2006
(see paragraph 1.12).
Card clubs and poker
3.39 The Commission receives regular requests for
advice on the operation of card clubs to be run on a
commercial basis. There is a particular interest currently
in poker clubs. Officials advise enquirers that a casino
licence is necessary for anyone wishing to do this.
Eight certificate of consent applications under the
1968 Act from operators seeking new casino licences
in order to operate such card clubs were under
consideration at the time this Report was being
prepared. No further applications under the 1968
Act can be accepted following the deadline of 28 April
2006 for applications. There is one card club currently
trading under a casino licence. There is also a pending
application for conversion of a card club to trading under a
casino licence. There is also a pending application for
conversion of a card club to trading under a
casino licence. The Gambling Commission is
considering all the applications and making its
decision. Officials have informed the Commission that the
existing providers of internet and other remote
casino gambling will be required to comply with
requirements of the control and ownership of partners,
management operations and procedures need to
be maintained, and in particular these need to
be sufficient to prevent money laundering by employees or players.

3.37 The 1968 Act was not designed to cover modern
gambling but there is a risk that such poker games could involve
high stake gambling if not properly run within the
parameters permitted by legislation.

b) In cases where licensees enter into contracts with
other organisations, such licensees are fully aware of
the control and ownership of their partners,
and satisfy themselves that their partners are
not involved in or associated with criminal activity.
Licensees are also advised to ensure that any
contractual obligations can be cancelled in the
event of a partner being found unsuitable.

3.35 In all cases the Commission expects licensees
to keep it fully informed about their gaming activities
outside Britain.

a) Licensees will as a minimum ensure that their
foreign operations fully comply with the local law and
regulations though it accepts that as far as gaming
is concerned some jurisdictions may have
less restrictive regulatory requirements. In addition,
in order to ensure that the standing, reputation
and continued suitability of British operators are
not involved in or associated with criminal activity.
Licensees are also advised to ensure that any
contractual obligations can be cancelled in the
event of a partner being found unsuitable.

The 1968 Act was not designed to cover modern
gambling, and matters of protection and
procedural safeguards were maintained, and in particular these need to
be sufficient to prevent criminal activity, fraud or
money laundering by employees or players.

3.36 The 1968 Gaming Act precludes online or remote
casino gaming operations being established in Great
Britain. The Act requires British-based casinos to be
of advertisements for online gaming sites in breach
of the requirements of section 42 of the 1968 Gaming
Act, which severely restrict the way in which casinos
may advertise. Officials held meetings with the
Advertising Standards Authority (ASA) and the
Committee for Advertising Practice (CAP) which
resulted in guidance being issued by the CAP in
June 2005. More comprehensive guidance was issued
jointly by the Commission and DCMS in March 2006
(see paragraph 1.12).
Card clubs and poker
3.39 The Commission receives regular requests for
advice on the operation of card clubs to be run on a
commercial basis. There is a particular interest currently
in poker clubs. Officials advise enquirers that a casino
licence is necessary for anyone wishing to do this.
Eight certificate of consent applications under the
1968 Act from operators seeking new casino licences
in order to operate such card clubs were under
consideration at the time this Report was being
prepared. No further applications under the 1968
Act can be accepted following the deadline of 28 April
2006 for applications. There is one card club currently
trading under a casino licence. There is also a pending
application for conversion of a card club to trading under a
casino licence. There is also a pending application for
conversion of a card club to trading under a
casino licence. The Gambling Commission is
considering all the applications and making its
decision. Officials have informed the Commission that the
existing providers of internet and other remote
casino gambling will be required to comply with
requirements of the control and ownership of partners,
management operations and procedures need to
be maintained, and in particular these need to
be sufficient to prevent money laundering by employees or players.

3.37 The 1968 Act was not designed to cover modern
gambling but there is a risk that such poker games could involve
high stake gambling if not properly run within the
parameters permitted by legislation.
Money laundering controls in casinos

3.42 Previous reports have referred to the 2nd European Union Directive on Money Laundering as a result of which new statutory regulations came into effect in March 2004 that require casino operators to obtain satisfactory evidence of identity of any person before allowing that person to use the casino’s gaming facilities. During the year Gambling Commission officials continued to hold meetings with officials of the Treasury to discuss a revised Code of Practice to reflect the new requirements for the casino industry, but final agreement has not yet been reached. Among the steps taken by the industry during the year to help in meeting the new requirements was a review by one of the casino trade associations of various suppliers of electronic identity verification equipment in order to provide advice on systems acceptable for use in casinos.

3.43 Last year’s report said that the European Commission had issued preliminary draft articles for a 3rd Money Laundering Directive on 22 March 2004. The aim of this Directive is to consolidate and revise the previous EU directives to take account of improved international standards in this area. The Directive was ratified in November 2005, and two years are allowed for implementation of its provisions. A key issue to be resolved in respect of the 3rd EU Directive is whether identification should be verified on entry to a casino or alternatively could be done at a later stage.

Money lending in casinos

3.44 A particular issue of concern to the Commission which emerged during the year was allegations of money lending between casino customers. Although money lending between casino customers is not of itself illegal, there is a point at which money lending activities become commercial in nature and have the potential to be used for money laundering. The matter has been discussed at the regular working group meetings with the casino industry and guidance for dealing with the issue has been prepared by the Commission and agreed with the two trade associations.

Numbers of gaming machines in casinos

3.45 The results of annual surveys, set out in Table 3b, show how the number of jackpot machines in casinos has increased in response to deregulatory measures easing the controls on numbers.

3.46 Under section 32 of the 1968 Act a casino may hold meetings with the commission and agreed with the two trade associations.

Employment within casinos

3.47 The trade associations have told the Commission that in 2005/06 their members employed 16,310 staff in their casinos throughout Great Britain. Of these, 9,360 were directly involved in the conduct of gaming (i.e. croupiers, inspectors and casino managers) and 6,950 were non-gaming staff dealing with ancillary activities such as restaurant, bar, reception and security work. This compares with totals of around 15,300 staff in 2004/05, 13,000 in 2003/04 and 11,500 in 1997/98.

Casino attendance

3.48 The figures on casino attendances for the last five years are given below. There were 13.9 million visits to casinos in Great Britain in 2005/06, an increase of 13% over 2004/05, to some degree this significant growth is a consequence of the abolition of the 24 hour rule in October 2005 (see paragraph 3.30). [See Table 3c,]...
Financial performance

3.49 The total drop (money exchanged for gaming chips) in casinos in Great Britain during the financial year 2005/06 was £4,231 million, an increase of £73 million on the 2004/05 figure. The totals for the last five years are set out below. These figures exclude income from gaming machines, which, with greater numbers of machines being permitted, could in future represent a significant proportion of many casinos’ profits. An estimate of total national gaming machines turnover is given in the Gaming Machines chapter of this Report (paragraph 6.4) but the Commission is considering how money gambled on machines might be recorded more precisely.

3.50 Drop in London casinos during the year was £2,297 million, fractionally down on 2004/05, while drop for the provinces increased by £92 million. Approximately 55% of the total drop produced by all the casinos in Great Britain occurred in the London casinos. The drop figures by region for the last three years are shown in Chart 3e.

Approximately 55% of the total drop produced by all the casinos in Great Britain occurred in the London casinos. The drop figures by region for the last three years are shown in Chart 3e.

Figures do not include Casino Stud Poker jackpot wagers.
Drop figures are rounded to the nearest £ million.

3.51 The proportion of drop for each game for the last five years is shown in Table 3f.

Table 3c Casino attendance by region: Number of visits

<table>
<thead>
<tr>
<th>Year</th>
<th>Scotland</th>
<th>North</th>
<th>Midlands &amp; Wales</th>
<th>South</th>
<th>Sub-total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001/02</td>
<td>1,061,326</td>
<td>3,737,741</td>
<td>2,186,296</td>
<td>3,364,191</td>
<td>8,985,554</td>
</tr>
<tr>
<td>2002/03</td>
<td>1,047,473</td>
<td>3,477,461</td>
<td>2,399,741</td>
<td>2,399,741</td>
<td>9,099,130</td>
</tr>
<tr>
<td>2003/04</td>
<td>1,030,190</td>
<td>3,461,770</td>
<td>2,322,728</td>
<td>2,419,680</td>
<td>9,086,704</td>
</tr>
<tr>
<td>2004/05</td>
<td>1,027,236</td>
<td>3,590,577</td>
<td>2,536,676</td>
<td>2,536,676</td>
<td>9,574,169</td>
</tr>
<tr>
<td>2005/06</td>
<td>1,158,226</td>
<td>4,258,144</td>
<td>2,999,632</td>
<td>2,872,791</td>
<td>11,066,707</td>
</tr>
</tbody>
</table>

Drop figures are rounded to the nearest £ million. Figures do not include Casino Stud Poker Jackpot wagers.
3 Casino gaming
continued

3.52 Although the total retained by casinos as house win was fractionally down on 2004/05 (£704m compared to £715m), the overall win percentage was still much the same as in four of the five preceding years. The figures for house win over the last five years were as shown in Chart 3g.

Numbers of certificates of consent and licence applications

3.53 Tables 3h to 3j show the results of consent applications made to the Commission and its predecessor, the Gaming Board, during the period 1 April 2005 to 31 March 2006 and the number and outcome of new licence applications.

Table 3f Percentage distribution of drop by games

<table>
<thead>
<tr>
<th>Year</th>
<th>American roulette</th>
<th>Blackjack</th>
<th>Electronic roulette</th>
<th>Punto Banco (including Baccarat)</th>
<th>Three Card Poker</th>
<th>Casino Stud Poker</th>
<th>Craps</th>
<th>Big Six/Sic Bo</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001/02</td>
<td>64.6</td>
<td>16.5</td>
<td>3.3</td>
<td>9.2</td>
<td>5.5</td>
<td>5.5</td>
<td>0.9</td>
<td>0.2</td>
</tr>
<tr>
<td>2002/03</td>
<td>56.7</td>
<td>17.9</td>
<td>8.7</td>
<td>9.2</td>
<td>5.1</td>
<td>4.8</td>
<td>0.8</td>
<td>0.1</td>
</tr>
<tr>
<td>2003/04</td>
<td>52.3</td>
<td>17.2</td>
<td>13.9</td>
<td>9.2</td>
<td>5.8</td>
<td>3.1</td>
<td>0.6</td>
<td>0.1</td>
</tr>
<tr>
<td>2004/05</td>
<td>51.9</td>
<td>17.2</td>
<td>13.9</td>
<td>9.2</td>
<td>5.8</td>
<td>3.1</td>
<td>0.6</td>
<td>0.1</td>
</tr>
<tr>
<td>2005/06</td>
<td>50.4</td>
<td>17.2</td>
<td>15.0</td>
<td>9.2</td>
<td>5.8</td>
<td>3.1</td>
<td>0.6</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Notes: The figures for each financial year do not include the unallocated drop received at the cash desk. Table 3d, however, does include unallocated drop. Figures are shown to one decimal place.

22 | 3 Casino gaming  The Gambling Commission

3 Casino gaming
continued
### Table 3h New certificates of consent

<table>
<thead>
<tr>
<th></th>
<th>England and Wales</th>
<th>Scotland</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applications outstanding on 31 March 2005</td>
<td>15</td>
<td>2</td>
<td>17</td>
</tr>
<tr>
<td>New applications received in 2005/06</td>
<td>56</td>
<td>11</td>
<td>67</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>71</strong></td>
<td><strong>13</strong></td>
<td><strong>84</strong></td>
</tr>
<tr>
<td>Certificates issued</td>
<td>41</td>
<td>11</td>
<td>52</td>
</tr>
<tr>
<td>Applications withdrawn</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Applications refused</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Applications not determined by 31 March 2006</td>
<td>25</td>
<td>2</td>
<td>27</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>71</strong></td>
<td><strong>13</strong></td>
<td><strong>84</strong></td>
</tr>
</tbody>
</table>

### Table 3i Certificates of consent to transfer a licence

<table>
<thead>
<tr>
<th></th>
<th>England and Wales</th>
<th>Scotland</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applications outstanding on 31 March 2005</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>New applications received in 2005/06</td>
<td>3</td>
<td>–</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3</strong></td>
<td><strong>–</strong></td>
<td><strong>3</strong></td>
</tr>
<tr>
<td>Certificates issued</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Applications withdrawn</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Applications refused</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Applications not determined by 31 March 2006</td>
<td>3</td>
<td>–</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3</strong></td>
<td><strong>–</strong></td>
<td><strong>3</strong></td>
</tr>
</tbody>
</table>

### Table 3j Continuance of certificates of consent

<table>
<thead>
<tr>
<th></th>
<th>England and Wales</th>
<th>Scotland</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applications outstanding on 31 March 2005</td>
<td>40</td>
<td>4</td>
<td>44</td>
</tr>
<tr>
<td>New applications received in 2005/06</td>
<td>28</td>
<td>7</td>
<td>35</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>68</strong></td>
<td><strong>11</strong></td>
<td><strong>79</strong></td>
</tr>
<tr>
<td>Applications allowed</td>
<td>40</td>
<td>4</td>
<td>44</td>
</tr>
<tr>
<td>Applications withdrawn</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Applications refused</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Applications not determined by 31 March 2006</td>
<td>28</td>
<td>7</td>
<td>34</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>68</strong></td>
<td><strong>11</strong></td>
<td><strong>79</strong></td>
</tr>
</tbody>
</table>
4 Licensed bingo

Introduction

4.1 This chapter reports on significant developments in the bingo industry and its regulation. The procedures for licensing bingo under the 2005 Gambling Act will be broadly similar to those existing under the 1968 Gaming Act.

Size and structure of the industry

4.2 The number of bingo clubs holding the Commission’s certificate of consent at 31 March 2006 was 679 (see Table 4a), a decrease on the number holding a certificate at 31 March 2005 (700). The number of clubs actually operating at 31 March 2006 was 657 compared to 678 at 31 March 2005 and 696 at 31 March 2004. There has been a long term steady downward trend in the number of clubs. Hence the net reduction in the number of bingo clubs between 1 April 1997 and 31 March 2001 amounted to 17% of the total number of clubs operating and, although closures between April 2001 and March 2003 were matched or surpassed by the number of new clubs opening, reductions in numbers during the last two reporting years have amounted to 3% of the total number of clubs in each year. One third of closures in the current reporting period were holiday parks that operate bingo under section 40 of the 1968 Act instead of their main business, although a small number were also closures of clubs that were also operating under the 1968 Gaming Act.

Changes to the industry

4.4 A number of changes of ownership occurred during the reporting period, the most significant being Gala Leisure Limited’s acquisition of three bingo operating companies, namely the Walker Leisure bingo estate in August 2005 (13 clubs), Apollo Bingo Limited in January 2006 (4 clubs) and Bravo Bingo Limited in February 2006 (3 clubs). Top Ten have now replaced Bourne Leisure as the third biggest operator in Great Britain, owning 45 clubs, one of which is not yet operational. Bourne Leisure, which operates bingo exclusively from holiday parks, surrendered 13 licences during the reporting period, instead electing to play section 40 bingo at those outlets (see paragraph 4.22). In January 2006, Gala Leisure purchased County Properties and Developments Limited’s bingo estate (10 clubs), thus strengthening their position as the largest bingo operator in Great Britain with 175 operating clubs. This purchase was investigated by the Office of Fair Trading (OFT), which was concerned that competition in one area had been significantly weakened as a result of the acquisition. Having been given an undertaking by Gala to divest itself of the club in the area concerned, the OFT decided not to refer the matter to the Competition Commission.

4.5 A recent trend within the industry has been the emergence of private investment companies buying and operating bingo clubs, thus strengthening their position as the largest bingo operators. This latest instance of this being Alchemy Partners LLP’s acquisition of the Cambos Group bingo estate (10 clubs) in January 2006.

Table 4a  Number of bingo clubs at 31 March 2006 (2005 in brackets)

<table>
<thead>
<tr>
<th></th>
<th>England and Wales</th>
<th>Scotland</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holding Commission</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>certificates at 31</td>
<td>580</td>
<td>99</td>
<td>679</td>
</tr>
<tr>
<td>March 2006</td>
<td>(601)</td>
<td>(99)</td>
<td>(700)</td>
</tr>
<tr>
<td>Holding gaming</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>licences at 31</td>
<td>582</td>
<td>95</td>
<td>677</td>
</tr>
<tr>
<td>March 2006</td>
<td>(593)</td>
<td>(99)</td>
<td>(700)</td>
</tr>
<tr>
<td>Known to be</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>operating at 31</td>
<td>567</td>
<td>90</td>
<td>657</td>
</tr>
<tr>
<td>March 2006</td>
<td>(586)</td>
<td>(92)</td>
<td>(678)</td>
</tr>
</tbody>
</table>

4.6 The number of clubs actually operating at 31 March 2006 was 657 (see Table 4a), a decrease compared to 678 at 31 March 2005. The report shows that the number of clubs has been decreasing steadily over the past 17 years since the peak year of 1987 when there were 1685 operational clubs. This downward trend has been matched by increases in the number of club closures, although the number of new clubs opening has also increased over the past 7 years. Net reduction in the number of bingo clubs between April 2001 and March 2003 was 6% of the total number of clubs operating and, although there were reductions in the number of clubs operating in each of the reporting years, the number of closures in the current reporting period were holiday parks that operate bingo under section 40 of the 1968 Act instead of their main business, although a small number were also closures of clubs that were also operating under the 1968 Gaming Act.

Changes to the industry

4.4 A number of changes of ownership occurred during the reporting period, the most significant being Gala Leisure Limited’s acquisition of three bingo operating companies, namely the Walker Leisure bingo estate in August 2005 (13 clubs), Apollo Bingo Limited in January 2006 (4 clubs) and Bravo Bingo Limited in February 2006 (3 clubs). Top Ten have now replaced Bourne Leisure as the third biggest operator in Great Britain, owning 45 clubs, one of which is not yet operational. Bourne Leisure, which operates bingo exclusively from holiday parks, surrendered 13 licences during the reporting period, instead electing to play section 40 bingo at those outlets (see paragraph 4.22). In January 2006, Gala Leisure purchased County Properties and Developments Limited’s bingo estate (10 clubs), thus strengthening their position as the largest bingo operator in Great Britain with 175 operating clubs. This purchase was investigated by the Office of Fair Trading (OFT), which was concerned that competition in one area had been significantly weakened as a result of the acquisition. Having been given an undertaking by Gala to divest itself of the club in the area concerned, the OFT decided not to refer the matter to the Competition Commission.

4.5 A recent trend within the industry has been the emergence of private investment companies buying and operating bingo clubs, thus strengthening their position as the largest bingo operators. This latest instance of this being Alchemy Partners LLP’s acquisition of the Cambos Group bingo estate (10 clubs) in January 2006.

Table 4a Number of bingo clubs at 31 March 2006 (2005 in brackets)

<table>
<thead>
<tr>
<th></th>
<th>England and Wales</th>
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<th>Total</th>
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<tbody>
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<td>657</td>
</tr>
<tr>
<td>March 2006</td>
<td>(586)</td>
<td>(92)</td>
<td>(678)</td>
</tr>
</tbody>
</table>
Table 4b Amount staked on licensed bingo by year

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount staked in £million</th>
<th>Percentage change from previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2001 to March 2002</td>
<td>1,164</td>
<td>4.1</td>
</tr>
<tr>
<td>April 2002 to March 2003</td>
<td>1,222</td>
<td>5.0</td>
</tr>
<tr>
<td>April 2003 to March 2004</td>
<td>1,381*</td>
<td>*see note below</td>
</tr>
<tr>
<td>April 2004 to March 2005</td>
<td>1,777*</td>
<td>*see note below</td>
</tr>
<tr>
<td>April 2005 to March 2006</td>
<td>1,826</td>
<td>2.8</td>
</tr>
</tbody>
</table>

*Source: H M Revenue and Customs. As a result of a change in the method of calculating bingo duty announced in the Budget 2003 and implemented later that year, the figures for the amounts staked from then onwards are on a somewhat different basis to earlier years. The main difference is that figures for November 2003 and later include participation fees.

See note below. The Bingo Association has reminded its members of the advice given in the relevant section of the Code of Conduct.

Money staked

4.6 Table 4b below gives H M Revenue and Customs figures for the amount of money staked in licensed bingo clubs over the last five years. The amount of money staked in 2005/06 was £1.83 billion, an increase of nearly 3% on 2004/05. The figures for money staked do not include cash staked on gaming machines.

Electronic bingo terminals

4.7 Last year’s Report mentioned the development of electronic bingo ticket minders (EBTs) which can be used as an alternative to paper tickets in bingo. The Gambling Commission and the bingo industry formulated a new code of practice for the use of EBTs which came into effect on 1 June 2005. A survey conducted in April 2006 showed that five bingo clubs were using hand wired EBT units, whilst 41 clubs had introduced hand held radio frequency units, averaging about 80 units per site. The Mecca Bingo Club at Fountain Park, Edinburgh is unique in its exclusive use of EBTs for all types of bingo.

Transparency of charges to play notices

4.9 Bingo clubs are required to display a charges to play notice which shows the maximum charge by way of participation fee. This figure should reflect a realistic maximum charge. There is a tendency for some operators to show an absolute maximum charge which is rarely, if ever, applied. The Gambling Commission believes that this does not demonstrate sufficient transparency to players and means that operators are not complying with the good practice guidance notes drawn up in March 2002. The Bingo Association has reminded its members of the advice given in the relevant section of the Code of Conduct.

Multiple bingo

4.10 Multiple bingo can be played by commercial bingo clubs across the country under the terms of the Gaming (Bingo) Act 1985. All clubs participating in multiple bingo play to a single set of numbers determined before the game commences. Currently the maximum amount that may be paid as a prize in a game of multiple bingo is £2,000,000 (The Gaming (Bingo) Act (Variation of Monetary Limit) Order 2002) and the maximum number of games of multiple bingo that may be played on any licensed bingo club in any period of 24 hours is five (Gaming Clubs (Multiple Bingo) Act (Variation of Monetary Limit) Order 2002). The NBGA has operated what is known as the National Bingo Game daily for the past 19 years. The number of NBGA licensed clubs registered to play in its National Games was 510 in April 2005 compared to 476 a year earlier.

Money staked

Table 4b below gives H M Revenue and Customs figures for the amount of money staked in licensed bingo clubs over the last five years. The amount of money staked in 2005/06 was £1.83 billion, an increase of nearly 3% on 2004/05. The figures for money staked do not include cash staked on gaming machines.

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Table 4b Amount staked on licensed bingo by year

<table>
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<tr>
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</tr>
<tr>
<td>April 2003 to March 2004</td>
<td>1,381*</td>
<td>*see note below</td>
</tr>
<tr>
<td>April 2004 to March 2005</td>
<td>1,777*</td>
<td>*see note below</td>
</tr>
<tr>
<td>April 2005 to March 2006</td>
<td>1,826</td>
<td>2.8</td>
</tr>
</tbody>
</table>

*Source: H M Revenue and Customs. As a result of a change in the method of calculating bingo duty announced in the Budget 2003 and implemented later that year, the figures for the amounts staked from then onwards are on a somewhat different basis to earlier years. The main difference is that figures for November 2003 and later include participation fees.
The weekday games generate a maximum national prize of up to about £100,000, with additional regional and house prizes, whilst the Sunday evening national prize reaches about £200,000. Special games with higher prizes have also been successfully run, the largest national prize being almost £1,000,000. Upgraded digital equipment has permitted improved audio-visual quality for the customer; in particular the ‘talking heads’ system used in some clubs, which transmits images of celebrities calling the game numbers, has contributed to the game’s continuing success. Following the increase in the permitted number of games in 1998 the NGBA introduced the ‘Dream Ticket’ game, played in around 200 clubs in the afternoon and some evenings for smaller prizes than the main evening National Game.

4.12 LinkCo Limited provided multiple bingo games exclusively for Mecca clubs from March 2000 until December 2005 at which point the Gambling Commission advised it not renew its certificate of approval when due in February 2006.

Linked bingo

4.13 Linked bingo, played under section 20 of the Gaming Act 1968, is where two or more clubs combine to play a joint game of bingo. The greater number of participants in the game thus allows the operators to offer larger prizes. The total number of clubs participating in some form of linked bingo increased during the period from 504 to 561. Two specialist companies provide digitally linked systems allowing for large numbers of clubs to network easily and seamlessly, with minimal disruption. The maximum aggregate weekly prize money in linked bingo games so as to maintain regular and constructive dialogue. One such meeting with a bingo operator took place in April 2005.

Meetings with the Bingo Association and operators

4.14 The Joint Working Group, attended by Gambling Commission officials and representatives of the Bingo Association, continues to provide a useful forum for discussions between the Gambling Commission and the industry. These meetings, where ideas and views can be exchanged without commitment on either side, have led over the years to formal agreement between the Commission and the industry on a range of operational and regulatory issues. The Group met on three occasions during 2005/06.

4.15 Over the last decade the Gaming Board held a series of informal meetings with operators from different sectors of the bingo industry so as to maintain regular and constructive dialogue. One such meeting with a bingo operator took place in April 2005.

4.16 The Deregulation (Bingo and other Gaming) Order 2002 (S.I. No. 2002/460) allows for bingo clubs to apply to their licensing authority for a direction under which they are entitled to install up to four club (jackpot) machines with maximum stakes and prizes of 50p and £500 respectively in addition to the number of AWP machines (up to 30p/£25) approved by the licensing authority. Since the introduction of this deregulation order most clubs have exercised this right on the grant or renewal of their gaming licence.

The number of gaming machines in bingo clubs

4.17 The Commission has again undertaken a count of the numbers of gaming machines in use in bingo clubs. The results of this census were as follows:

Table 4c Numbers and types of gaming machines in bingo clubs at 31 March 2006

<table>
<thead>
<tr>
<th>AWP (£ whether all-cash or cash/token) Jackpot Jackpot Total</th>
<th>£250</th>
<th>£500</th>
</tr>
</thead>
<tbody>
<tr>
<td>17,636 (15,588)</td>
<td>622</td>
<td>1,196</td>
</tr>
<tr>
<td>19,454 (17,296)</td>
<td>1,196</td>
<td></td>
</tr>
</tbody>
</table>

(figures for the previous year in brackets)

Linked bingo

4.18 The Gambling Commission continues to work closely with both the Bingo Association and operators over a range of issues, such as the introduction of a 'Dream Ticket' game, during the year.

Meetings with the Bingo Association and operators

4.19 The Commission continues to provide a useful forum for discussions between the Commission and the industry. The meetings continue to provide an opportunity for informal discussions between the Commission and the industry on a range of operational and regulatory issues. These meetings have, over the years, led to the development of many of the regulatory reforms that have contributed to the game’s continuing success. Following the increase in the permitted number of games in 1998, the NGBA introduced the ‘Dream Ticket’ game, played in around 200 clubs in the afternoon and some evenings for smaller prizes than the main evening National Game.

Meetings with the Bingo Association and operators

4.20 Linked bingo, played under section 20 of the Gaming Act 1968, is where two or more clubs combine to play a joint game of bingo. The greater number of participants in the game thus allows the operators to offer larger prizes. The total number of clubs participating in some form of linked bingo increased during the period from 504 to 561. Two specialist companies provide digitally linked systems allowing for large numbers of clubs to network easily and seamlessly, with minimal disruption. The maximum aggregate weekly prize money in linked bingo games so as to maintain regular and constructive dialogue. One such meeting with a bingo operator took place in April 2005.

Meetings with the Bingo Association and operators

4.21 The Deregulation (Bingo and other Gaming) Order 2002 (S.I. No. 2002/460) allows for bingo clubs to apply to their licensing authority for a direction under which they are entitled to install up to four club (jackpot) machines with maximum stakes and prizes of 50p and £500 respectively in addition to the number of AWP machines (up to 30p/£25) approved by the licensing authority. Since the introduction of this deregulation order most clubs have exercised this right on the grant or renewal of their gaming licence.

The number of gaming machines in bingo clubs

4.22 The Commission has again undertaken a count of the numbers of gaming machines in use in bingo clubs. The results of this census were as follows:

Table 4c Numbers and types of gaming machines in bingo clubs at 31 March 2006

<table>
<thead>
<tr>
<th>AWP (£ whether all-cash or cash/token) Jackpot Jackpot Total</th>
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</tr>
<tr>
<td>19,454 (17,296)</td>
<td>1,196</td>
<td></td>
</tr>
</tbody>
</table>

(figures for the previous year in brackets)
As mentioned in paragraph 4.8, clubs in addition had 1,556 machines at 31 March 2006 (267 at 31 March 2005) operating under section 21 of the Act.

Objections to bingo licences

4.18 No objections were lodged in 2005/06.

Attendance at bingo clubs

4.19 Industry estimates are that the number of admissions to bingo clubs in 2005/06 was in the region of 81.5 million, a 3% decrease on the revised figure of 83.8 million for 2004/05.

Employment in the industry

4.20 No definitive figures are available, but industry estimates are that some 18,500 people are employed in the bingo industry.

Numbers of certificates of consent and licence applications

4.21 The following tables show the results of consent applications made to the Commission during the period 1 April 2005 to 31 March 2006 and the number and outcome of licence applications.

<table>
<thead>
<tr>
<th>Table 4d New certificates of consent</th>
<th>England and Wales</th>
<th>Scotland</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applications outstanding 31 March 2005</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>New applications received in 2005/06</td>
<td>11</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>1</td>
<td>13</td>
</tr>
<tr>
<td>Certificates issued</td>
<td>9</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Applications withdrawn</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Applications refused</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Applications not determined by 31 March 2006</td>
<td>3</td>
<td>–</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>1</td>
<td>13</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table 4e New licences</th>
<th>England and Wales</th>
<th>Scotland</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applications outstanding 31 March 2005</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>New applications received in 2005/06</td>
<td>11</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>1</td>
<td>11</td>
</tr>
<tr>
<td>New licences issued</td>
<td>5</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Applications withdrawn</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Applications refused</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Applications not determined by 31 March 2006</td>
<td>1</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>8</td>
<td>2</td>
<td>10</td>
</tr>
</tbody>
</table>
Bingo played under sections 40 and 41 of the Gaming Act 1968

In addition to licensed commercial bingo, unlicensed bingo may be played in certain clubs and institutes and at entertainments not held for private gain and is lawful so long as it complies with sections 40 or 41 of the 1968 Gaming Act. Bingo played under these sections is subject to various restrictions and limitations and is intended to be small scale and non-commercial. In particular, bingo played under section 40 must be only one of the activities provided by the club. The proceeds of bingo played under section 41 must normally go to a charity or to the benefit of a non-proprietary members’ club.

The limits on charges and prizes for such gaming were last increased in November 2000 and remain at, for section 40, a maximum charge per player of 60p per day. For section 41 the limits are a maximum payment per player of £4 per entertainment, a maximum total value of prizes per entertainment of £400, and the maximum prize in the last of a series of entertainments taking place over a two day period of £700.

**Table 4f Certificates of consent to transfer a licence**

<table>
<thead>
<tr>
<th></th>
<th>England and Wales</th>
<th>Scotland</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applications outstanding on 31 March 2005*</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>New applications received in 2005/06</td>
<td>8</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10</strong></td>
<td><strong>0</strong></td>
<td><strong>10</strong></td>
</tr>
<tr>
<td>Certificates issued</td>
<td>9</td>
<td>0</td>
<td>9</td>
</tr>
<tr>
<td>Applications withdrawn</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Applications refused</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Applications not determined by 31 March 2006</td>
<td>1</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10</strong></td>
<td><strong>0</strong></td>
<td><strong>10</strong></td>
</tr>
</tbody>
</table>

* There were two applications outstanding at 31 March 2005, not three as reported last year.

**Table 4g Transfer of licences**

<table>
<thead>
<tr>
<th></th>
<th>England and Wales</th>
<th>Scotland</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applications outstanding on 31 March 2005</td>
<td>3</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>New applications received in 2005/06</td>
<td>10</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13</strong></td>
<td><strong>0</strong></td>
<td><strong>13</strong></td>
</tr>
<tr>
<td>Licences issued</td>
<td>11</td>
<td>0</td>
<td>11</td>
</tr>
<tr>
<td>Applications withdrawn</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Applications refused</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Applications not determined by 31 March 2006</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13</strong></td>
<td><strong>0</strong></td>
<td><strong>13</strong></td>
</tr>
</tbody>
</table>

There were two applications outstanding at 31 March 2005, not three as reported last year.

**Table 4h Certificates of consent to transfer a licence**

<table>
<thead>
<tr>
<th></th>
<th>England and Wales</th>
<th>Scotland</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applications outstanding on 31 March 2006</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Certificates issued</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Applications withdrawn</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Applications refused</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1</strong></td>
<td><strong>0</strong></td>
<td><strong>1</strong></td>
</tr>
</tbody>
</table>

There were no applications outstanding at 31 March 2006, not three as reported last year.
5 Certification of employees

Introduction
5.1 This chapter reports on the certification of employees in the bingo and casino industries.

Requirements for certification
5.2 One of the main objectives of the Gaming Act 1968 and of the Gambling Commission continues to be to ensure that high standards of probity exist amongst those involved in the gaming industry. An important part of this process is the section 19 certificate of approval procedure, which is designed to ensure that those who work on the gaming floor and/or who manage such employees are fit and proper to act in that capacity. The Act requires those who perform certain functions to hold a certificate of approval issued by the Commission, and gives the Commission power to require certain others performing managerial, organisational or supervisory duties to be certificated. A licence holder who employs staff in contravention of these procedures commits an offence under section 23(1) of the 1968 Act.

5.3 The Commission currently issues certificates of approval and other types of licences which authorise an individual to perform a specified operational function. The Act requires each licensed operator to have at least one personal management licence holder, and requires employers before the issue of fresh certificates to ensure that those who work on the gaming floor and/or who manage such employees are fit and proper to act in that capacity. The Act also requires those who perform certain functions to hold a certificate of approval issued by the Commission, and gives the Commission power to require certain others performing managerial, organisational or supervisory duties to be certificated. A licence holder who employs staff in contravention of these procedures commits an offence under section 23(1) of the 1968 Act.

5.4 One of the main objectives of the Gaming Act 1968 is to ensure that high standards of probity exist amongst those involved in the gaming industry. An important part of this process is the section 19 certificate of approval procedure, which is designed to ensure that those who work on the gaming floor and/or who manage such employees are fit and proper to act in that capacity. The Act requires those who perform certain functions to hold a certificate of approval issued by the Commission, and gives the Commission power to require certain others performing managerial, organisational or supervisory duties to be certificated. A licence holder who employs staff in contravention of these procedures commits an offence under section 23(1) of the 1968 Act.

Applications
5.5 The following table gives details of the numbers of applications for certificates of approval processed between 1 April and 31 March for the last five years.

<table>
<thead>
<tr>
<th>Period</th>
<th>Number of applications dealt with</th>
<th>Number of certificates issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/04/04 – 31/03/05</td>
<td>4,206</td>
<td>3,671</td>
</tr>
<tr>
<td>01/04/05 – 31/03/06</td>
<td>3,481</td>
<td>3,277</td>
</tr>
<tr>
<td>01/04/06 – 31/03/07</td>
<td>2,764</td>
<td>2,393</td>
</tr>
<tr>
<td>01/04/07 – 31/03/08</td>
<td>2,319</td>
<td>2,020</td>
</tr>
<tr>
<td>01/04/08 – 31/03/09</td>
<td>1,997</td>
<td>1,801</td>
</tr>
</tbody>
</table>

5.6 There was a decrease in the number of applications handled in 2005/06, and in the number of certificates issued, due in some part to the reduction of movement of staff within the industry.

Table 5a Applications* for certificates of approval 2001/02 to 2005/06

<table>
<thead>
<tr>
<th>Period</th>
<th>Number of applications dealt with</th>
<th>Number of certificates issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/04/01 – 31/03/02</td>
<td>5,220</td>
<td>4,777</td>
</tr>
<tr>
<td>01/04/02 – 31/03/03</td>
<td>3,113</td>
<td>2,771</td>
</tr>
<tr>
<td>01/04/03 – 31/03/04</td>
<td>4,206</td>
<td>3,671</td>
</tr>
<tr>
<td>01/04/04 – 31/03/05</td>
<td>4,276</td>
<td>3,736</td>
</tr>
<tr>
<td>01/04/05 – 31/03/06</td>
<td>3,481</td>
<td>3,277</td>
</tr>
</tbody>
</table>

5.7 It remains the Commission’s policy to make checks or obtain reports from the appropriate authorities on all new applicants for certificates of approval, in accordance with paragraph 3 of Schedule 5 to the Gaming Act 1968. Awaiting responses to these checks can delay the processing of applications. During the year 78% of all first time applicants for the dealers’ and other casino gaming employees’ (red) certificates received their certificates within six weeks of receipt of the application by the Commission.

5.8 Casino gaming is an international business and it is understandable that staff may wish to work in different jurisdictions. Enquiries are made of overseas employers before the issue of fresh certificates to previously certificated staff returning from working in casinos abroad; checks on criminal history are made in tandem with these enquiries to reduce any delays to a minimum. Applications from foreign nationals are processed to the same standard as UK citizens, but difficulties in obtaining information from abroad can lead to delays in the issue of certificates.
5 Certification of employees

Following discussions with the British Casino Association and the Casino Operators’ Association, it was agreed that the casino employer wishing to employ the applicant would in future supply the reference from the overseas employer and the new system came into effect on 1 November 2005. A total of 406 overseas enquiries were made up to 1 November 2005. In addition, from 1 May 2004 nationals from 10 new member states of the European Economic Area (EEA) became eligible to work in the United Kingdom. Nationals from Malta and Cyprus were given free movement rights but members of the other eight accession States are required to apply to the Home Office under the new Worker Registration Scheme once they have secured work in the UK.

Following an initial surge in the number of applications, the number of first time applicants from these new member states has now decreased (283 in the first half year, 147 in the second half year). Most of these applicants have experience in the gaming industry outside Great Britain.

5.1 The Commission has no record of the number of certificates holders actually in employment, as it has no comprehensive records of staff resignations or departures. It has completed the process, where appropriate, of transferring old paper records concerning certificate of approval applicants to computer records. The section’s database has been improved to allow better online record keeping.

Criminal Records Bureau (CRB) and Scottish Criminal Records Office (SCRO)

5.11 The Commission has no record of the number of certificate holders actually in employment, as it has no comprehensive records of staff resignations or departures. It has completed the process, where appropriate, of transferring old paper records concerning certificate of approval applicants to computer records. The section’s database has been improved to allow better online record keeping.

Quality of managerial applicants

5.14 The Commission expects particularly high standards of applicants for its casino executives’ white certificates. All applicants are subject to probing checks and those who are new to the industry and have not previously held a grey certificate are normally interviewed by a panel consisting of a Commission member and a senior member of the Inspectorate.

5 Certification of employees continued
Revocation procedures are normally prompted by the Act and Regulations, and the reasons for the rules they must follow. Where an applicant does not meet the required standard, the application is normally deferred by agreement to allow the applicant to improve his or her knowledge of the Gaming Act 1968 and the regulations and guidelines made under it. The Commission is pleased by the continued efforts of operators to ensure that senior staff receive adequate guidance before they apply for their certificate. 14 applicants were interviewed during the year and all 14 were issued with a white certificate.

5.15 The standards expected of first-time applicants for casino managers' (grey) certificates and bingo managers' (pink) certificates also remain high. 33 applicants for grey certificates were interviewed during the year, all of which were issued. The figures for pink certificates were 56 interviewed, all of which were issued. In November 2004 the Commission deferred by agreement to allow the applicant to improve his or her knowledge of the Gaming Act 1968 and the regulations and guidelines made under it. The Commission is pleased by the continued efforts of operators to ensure that senior staff receive adequate guidance before they apply for their certificate. 14 applicants were interviewed during the year and all 14 were issued with a white certificate.

The Gambling Commission  5 Certification of employees | 31

The Commission regards it as important that standards are maintained and that holders of this certificate should understand the reasons which lie behind the Act and Regulations, and the reasons for the rules they must follow. Where an applicant does not meet the required standard, the application is normally deferred by agreement to allow the applicant to improve his or her knowledge of the Gaming Act 1968 and the regulations and guidelines made under it. The Commission is pleased by the continued efforts of operators to ensure that senior staff receive adequate guidance before they apply for their certificate. 14 applicants were interviewed during the year and all 14 were issued with a white certificate.

The Gambling Commission  5 Certification of employees | 31

### Table 5b Reasons* for revocation of certificates: 1 April 2005 – 31 March 2006

<table>
<thead>
<tr>
<th>Reason</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breaches of the Gaming Act or other relevant legislation/guidelines</td>
<td>1 (6)</td>
</tr>
<tr>
<td>Failing to declare convictions in breach of s.23 (6) of the Gaming Act</td>
<td>1 (2)</td>
</tr>
<tr>
<td>Theft from colleague/casino member</td>
<td>2 (0)</td>
</tr>
<tr>
<td>Incurring convictions after the issue of a S19 certificate</td>
<td>2 (0)</td>
</tr>
<tr>
<td>Socialising (previous year's figures in brackets)</td>
<td>1 (2)</td>
</tr>
<tr>
<td>Accepting gratuities (previous year's figures in brackets)</td>
<td>1 (0)</td>
</tr>
<tr>
<td>Others</td>
<td>3 (2)</td>
</tr>
<tr>
<td>Total</td>
<td>26 (47)</td>
</tr>
</tbody>
</table>

* The principal reason is shown in each case.
5 Certification of employees continued

5.17 The Commission regards it as important that contracts of employment and conditions of service make it clear to gaming staff that incidents of the kind listed in the table are unacceptable and may result in the revocation of certificates of approval and that senior staff should at all times set a good example to their juniors. Where the conditions of service are breached, operators should ensure that good procedures in internal disciplinary interviews are established and followed.

5.18 The Commission has consistently adopted a tough line towards certificated casino staff's involvement with drugs, whether at work or elsewhere. Following a case in 2004/05 the Commission asked all companies to reinforce that message by having a clear statement of their anti-drugs policy which is communicated to their staff and refers to the real risk of dismissal and loss of certificates of approval if in breach. Whilst it is entirely a matter for individual companies whether they have a drugs testing policy, the Commission also requested that in cases where they do, that should be clearly communicated to staff and contained in good disciplinary and conditions, including that refusal to take the test would allow an adverse inference to be drawn. The Commission’s letter sent to all certificate holders on grant was amended to add a reference to the likely consequences of refusal to take a test. The Commission is pleased that following these steps, the number of revocations for involvement with drugs fell to just one in 2005/06.

Attendance at hearings

5.20 Certain applicants for certificates of approval are invited to an interview to discuss their cases with officials or a hearing before Commissioners, and all those subject to revocation action are given the opportunity to appear before a panel of Commissioners. Although the Commission’s invitation letter indicates that those attending hearings may be accompanied by their (prospective) employer or an adviser, in practice few employers attend. The Commission asks employers to give active consideration to attending such hearings or interviews, particularly where their attendance would be of assistance to the applicant, or alternatively submitting a letter of support where they consider it appropriate.

Revocation without a hearing

5.21 In cases where the Commission is considering revocation of certificates, and the holder does not wish to attend a hearing or to make written representations, or the Commission’s recorded delivery letter is returned undelivered by the Post Office, the Commission must consider the certificate holder’s suitability to hold the Commission’s certificates on the available information. During the year, 25 cases were considered by panels of Commissioners members where the certificate holder was not present. 21 had all their certificates revoked, three kept all certificates and one retained some certificates.

Hearings and interviews with Commission officials

5.19 During the period 1 April 2005 to 31 March 2006, a total of 110 hearings or interviews were held in connection with certificates of approval.

<table>
<thead>
<tr>
<th>Type of certificate</th>
<th>Number of hearings and interviews</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Casino Executive (white)</td>
<td>14</td>
<td>All were granted</td>
</tr>
<tr>
<td>Casino Manager (grey)</td>
<td>33</td>
<td>All were granted</td>
</tr>
<tr>
<td>Bingo Manager (pink)</td>
<td>56</td>
<td>All were granted</td>
</tr>
<tr>
<td>Gaming Employee (red)</td>
<td>2</td>
<td>1 first-time application was granted</td>
</tr>
<tr>
<td>Existing certificate holders who had received “minded to revoke” letters</td>
<td>5</td>
<td>2 had all certificates revoked</td>
</tr>
</tbody>
</table>

Attendance at hearings

5.20 During the period 1 April 2005 to 31 March 2006, 374 hearings were held in connection with certificates of approval. 266 were with Commission officials or a hearing before Commissioners. The Commission’s certificates on the available information. During the year, 25 cases were considered by panels of Commissioners members where the certificate holder was not present. 21 had all their certificates revoked, three kept all certificates and one retained some certificates.

Table 5c Hearings in connection with certificates of approval: 1 April 2005 – 31 March 2006

<table>
<thead>
<tr>
<th>Type of certificate</th>
<th>Number of hearings and interviews</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gaming Employee (red)</td>
<td>14</td>
<td>1 first-time application was granted</td>
</tr>
<tr>
<td>Existing certificate holders who had received “minded to revoke” letters</td>
<td>5</td>
<td>2 had all certificates revoked</td>
</tr>
</tbody>
</table>

5 Certification of employees continued
The Commission’s general advice is that whilst each case is considered on its merits, where an individual has had his or her certificate(s) revoked, unless he or she has been advised to the contrary, an application for a new certificate is unlikely to be successful until at least 12 months have elapsed from the date of revocation of the previous certificate(s).

Revocation takes effect 21 days after the date of the Commission’s written notification of its decision to revoke.

Enquiries from overseas

5.23 The Commission received 20 enquiries during the year from other countries where British staff holding the Commission’s certificate were seeking employment. These are dealt with by issuing letters to the agency, employer or individuals concerned confirming that they still hold a Commission certificate.

Social visits to casinos

5.24 Gambling Commission Guidelines for the Casino Industry (Number 4) make it clear that unauthorised visits to other casinos by section 19 certificate holders are not permitted. A certificate of approval, however, remains in force for life unless revoked. The Commission’s view is that the restrictions in Guideline 4 on certificated persons visiting casinos as members or guests only apply at times when they are actually employed in a certificated capacity in the casino industry. Casino operators may wish to set limits on ex-staff joining their casinos, but this is not a matter for the Commission.

Reapplication after revocation action

5.22 The Commission’s general advice is that whilst each case is considered on its merits, where an individual has had his or her certificate(s) revoked, unless he or she has been advised to the contrary, an application for a new certificate is unlikely to be successful until at least 12 months have elapsed from the date of revocation of the previous certificate(s).

Reapplication takes effect 21 days after the date of the Commission’s written notification of its decision to revoke.

Contravention of section 23(6) of the Gaming Act 1968

5.25 It is a requirement that all applicants declare all convictions, police cautions, pending prosecutions, etc. on all applications. A number of applicants failed to disclose a full record of their convictions or cautions, even though the application form makes it clear that the Rehabilitation of Offenders Act 1974 (Exceptions) Order 1975 authorises the Commission to require such disclosure. In all cases of failure to disclose previous convictions etc, the matter is addressed by the Commission with the applicant, either at a hearing, where refusal or revocation is considered, or as a written warning. The police may also decide to take action, although this is rare.
# 5 Certification of employees

## continued

Decisions by outcome and issues by type, 2005/06

5.26 The outcome of applications for section 19 certificates, and certificates issued by type, for 2005/06 were as set out in tables 5d and 5e:

### Table 5d Section 19 certificates: Decisions by outcome 2005/06

<table>
<thead>
<tr>
<th></th>
<th>New certificates issued</th>
<th>Existing certificates issued</th>
<th>Total certificates issued</th>
<th>Applications refused</th>
<th>Applications withdrawn</th>
<th>Revocations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Casino Executive (white certificate)</td>
<td>11</td>
<td>7</td>
<td>18</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Casino Manager (grey certificate)</td>
<td>0</td>
<td>135</td>
<td>135</td>
<td>0</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Casino Gaming Employee (red certificate)</td>
<td>1,788</td>
<td>1,123</td>
<td>2,911</td>
<td>0</td>
<td>314</td>
<td>23</td>
</tr>
<tr>
<td>Bingo Manager (pink certificate)</td>
<td>59</td>
<td>36</td>
<td>95</td>
<td>0</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,858</td>
<td>1,301</td>
<td>3,159</td>
<td>0</td>
<td>322</td>
<td>26</td>
</tr>
</tbody>
</table>

* Includes re-issues, re-issues after revocation, changes of name and changes of company name.

** 26 individuals had a total of 41 certificates revoked.

### Table 5e Section 19 certificates: Issues by type 2005/06

<table>
<thead>
<tr>
<th></th>
<th>New applications</th>
<th>Transfers</th>
<th>Promotions</th>
<th>Reissues</th>
<th>Total certificates issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Casino Executive (white certificate)</td>
<td>11</td>
<td>3</td>
<td>4</td>
<td>0</td>
<td>18</td>
</tr>
<tr>
<td>Casino Manager (grey certificate)</td>
<td>0</td>
<td>50</td>
<td>77</td>
<td>8</td>
<td>135</td>
</tr>
<tr>
<td>Casino Gaming Employee (red certificate)</td>
<td>1,788</td>
<td>1045</td>
<td>2</td>
<td>76</td>
<td>2911</td>
</tr>
<tr>
<td>Bingo Manager (pink certificate)</td>
<td>59</td>
<td>23</td>
<td>5</td>
<td>8</td>
<td>95</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,858</td>
<td>1,121</td>
<td>88</td>
<td>92</td>
<td>3,159</td>
</tr>
</tbody>
</table>

## continued
6 Gaming machines

Introduction

6.1 This chapter reports on the gaming machines industry. The 1968 Gaming Act (as amended) makes provision for three types of gaming machines which may be sited in a variety of locations:

(i) Club or jackpot machines with maximum prizes of £4,000 in casinos, £500 in bingo clubs and £250 in other clubs and maximum stakes of £2 in casinos and 50p elsewhere. As an alternative, casinos can now offer machines with a maximum stake of £100 but with the maximum prize limited to £500 (see paragraph 3.30).

(ii) “All cash” amusement-with-prizes (AWP) machines in adult environments such as public houses, licensed betting offices, bingo clubs and adult amusement arcades. The maximum prize is £25 and the maximum stake is 30p.

(iii) Traditional “cash/token” AWP machines in premises such as family arcades and cafes etc. The maximum prize is £2 and the maximum stake is 30p.

With certain specified exceptions, those who wish to sell, supply or maintain gaming machines may do so only if they hold a certificate granted by the Commission under section 27 of the 1968 Act.

6.2 Under the 2005 Gambling Act, there will be four categories of gaming machines:

> Category A with unlimited stakes and prizes which will be located only in the regional casino.

> Category B with four sub-categories of varying maximum stakes and prizes. Category B1 (£2 stake, £4,000 prize) will be restricted to casinos; Category B2 (£100 stake, £500 prize) to casinos and betting shops; Category B3 (£1 stake, £500 prize) to bingo halls and adult gaming centres; and Category B4 (£1 stake, £250 prize) to members’ clubs.

> Category C (maximum 50p stake, £25 prize) to pubs, bingo halls and age-restricted gaming arcades.

> Category D (maximum stake/prize of 10p/£5 if a cash machine and 30p/£8 where prizes are non-monetary) to family arcades.

Size of industry

6.3 Whilst those who wish to sell, supply or maintain gaming machines need a Commission certificate, these certificate holders are not required to submit to the Commission details of the numbers of machines they handle and the Commission thus does not hold statistics on machine numbers and locations. However, provisional figures supplied by BACTA (the trade association for the pay-to-play leisure machines industry) indicate that in 2005 there were some 235,000 gaming machines of one type or another sited in Great Britain. These consist of around 192,000 AWP machines, whether all cash or cash/token machines, 25,000 club or jackpot machines and 17,000 pinball, pusher and crane grab machines. An estimate of the distribution of these machines by location is provided below.

Table 6a Gaming machines by location, 2005

<table>
<thead>
<tr>
<th>Location</th>
<th>% of total gaming machines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult Gaming Centres</td>
<td>14%</td>
</tr>
<tr>
<td>Family Entertainment Centres</td>
<td>33%</td>
</tr>
<tr>
<td>Pubs</td>
<td>29%</td>
</tr>
<tr>
<td>Clubs</td>
<td>9%</td>
</tr>
<tr>
<td>Casinos</td>
<td>8%</td>
</tr>
<tr>
<td>Licensed Betting Offices</td>
<td>2%</td>
</tr>
<tr>
<td>Motorway</td>
<td>1%</td>
</tr>
<tr>
<td>Other Locations</td>
<td>3%</td>
</tr>
</tbody>
</table>

6.4 BACTA estimates the annual turnover from gaming machines to have been £10.30 billion in 2005, of which £8.20 billion was paid out in prizes. It is believed that around 22,000 staff are employed directly in the industry.
The development and proliferation of these machines will be regulated by Part 10 of the new Act, and will be classified as gaming machines, they will be regulated by machine. That is the purpose of Part III of the 1968 Act or Section 21 of the Gambling Act 1968. Under the Gambling Act 2005 these machines will be classified as gaming machines, they will be regulated by Part 10 of the new Act, and will be subject to the same limits on stakes and prizes and numbers and locations as other gaming machines.

DCMs has made it clear that these machines will not attract any protected rights under the new legislation.

6.6 Concern has been expressed about the use of these machines has raised concerns, not least because of their potential to exploit a perceived loophole in the existing legislation. Some machines may be designed to operate under section 16 of the Lotteries and Amusements Act 1976 in amusement arcades and section 21 of the Gaming Act 1968 in bingo clubs and casinos. These sections were included in the Acts in order to allow small scale gaming or amusements with prizes in the premises concerned. It was not originally envisaged that such gaming would be conducted by means of machines. But these machines have been designed to exploit a perceived loophole in the definition of a gaming machine in Part III of the 1968 Gaming Act ("Gaming by means of machine").

6.7 The development and proliferation of these machines has raised concerns, not least because there is nothing in law to prevent children from using them. Guidelines have been agreed between the Commission and BACTA, which are designed to exploit a perceived loophole in the definition of a gaming machine in Part III of the 1968 Gaming Act ("Gaming by means of machine").

Permits

6.10 In the past year the Commission has issued 66 permits under sub-sections 27(1) and 27(5) of the 1968 Act. It is Commission policy to issue such permits, free of charge, to allow for "one off" isolated transactions involving the disposal of gaming machines by persons not normally in the trade. It is not intended that these permits should be issued on a regular or continuing basis to a person or business involved in the frequent sale, supply or maintenance of gaming machines.

Parallel and serial games

6.9 Concern has been expressed about the development of parallel and serial games, prompting the Commission to seek legal advice. In March 2006 the Commission issued the following statement about parallel and serial games.

The Commission/BACTA Working Group continues to meet every three months. This close co-operation has been helpful during the year under review in addressing a wide range of issues including action on unlawful gaming, guidance on the status of redemption machines, the operation of machine compliance data and software and updating and consolidating industry guidelines.

Section 16 and Section 21 machines

6.6 As reported last year, there has been extensive development by the industry of types of machines for operation under section 16 of the Lotteries and Amusements Act 1976 in amusement arcades and section 21 of the Gaming Act 1968 in bingo clubs and casinos. These sections were included in the Acts in order to allow small scale gaming or amusements with prizes in the premises concerned. It was not originally envisaged that such gaming would be conducted by means of machines. But these machines have been designed to exploit a perceived loophole in the definition of a gaming machine in Part III of the 1968 Gaming Act ("Gaming by means of machine").

6.5 The Commission/BACTA Working Group continues to meet every three months. This close co-operation has been helpful during the year under review in addressing a wide range of issues including action on unlawful gaming, guidance on the status of redemption machines, the operation of machine compliance data and software and updating and consolidating industry guidelines.

BACTA/Commission links

6.5 The Commission/BACTA Working Group continues to meet every three months. This close co-operation has been helpful during the year under review in addressing a wide range of issues including action on unlawful gaming, guidance on the status of redemption machines, the operation of machine compliance data and software and updating and consolidating industry guidelines.
Applications for certificates under section 27

6.11 The number of new applications under section 27 of the Gaming Act 1968 to sell, supply and/or maintain gaming machines received during 2005/06, and their outcome, are shown in Table 6b.

Renewal of certificates

6.12 During the year 176 certificates reached the end of their five-year life. The Commission was notified that renewal was not being sought for 35 of these.

Table 6b New applications for section 27 certificates 2005/06

<table>
<thead>
<tr>
<th></th>
<th>England and Wales</th>
<th>Scotland</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>New applications outstanding on 31 March 2005</td>
<td>7</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>New applications received 2005/06</td>
<td>29</td>
<td>1</td>
<td>30</td>
</tr>
<tr>
<td>Total</td>
<td>36</td>
<td>2</td>
<td>38</td>
</tr>
<tr>
<td>Certificates issued</td>
<td>28</td>
<td>2</td>
<td>30</td>
</tr>
<tr>
<td>Applications withdrawn</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>To be determined, or awaiting payment of fee at 31 March 2006</td>
<td>7</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>36</td>
<td>2</td>
<td>38</td>
</tr>
</tbody>
</table>

Table 6c Applications for the renewal of section 27 certificates 2005/06

<table>
<thead>
<tr>
<th></th>
<th>England and Wales</th>
<th>Scotland</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applications outstanding on 31 March 2005</td>
<td>29</td>
<td>0</td>
<td>29</td>
</tr>
<tr>
<td>Applications received in respect of certificates expiring during 2005/06</td>
<td>131</td>
<td>10</td>
<td>141</td>
</tr>
<tr>
<td>Total</td>
<td>160</td>
<td>10</td>
<td>170</td>
</tr>
<tr>
<td>New certificates required</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Certificates issued</td>
<td>139</td>
<td>7</td>
<td>146</td>
</tr>
<tr>
<td>Applications withdrawn</td>
<td>5</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>To be determined, or awaiting payment of fee at 31 March 2006</td>
<td>14</td>
<td>3</td>
<td>17</td>
</tr>
<tr>
<td>Total</td>
<td>160</td>
<td>10</td>
<td>170</td>
</tr>
</tbody>
</table>
# Lotteries

## Introduction

7.1 This chapter reports on the lottery sector. Under the 1976 Lotteries and Amusements Act, lotteries may be promoted by societies (charities, sporting clubs, cultural bodies and others) to assist good causes, and by local authorities. These provisions are being replicated in the 2005 Gambling Act.

## Size of the lottery sector

7.2 Societies which wish to run larger lotteries (with proceeds in a single lottery of over £20,000 or cumulative annual proceeds of more than £250,000) and all local authority lottery schemes must first be registered with the Commission. At 31 March 2006 there were 660 societies but no local authority schemes registered with the Commission. A year earlier, there had been 647 societies and again no local authority schemes. Local authority lottery schemes now seem to have totally disappeared. At their peak in 1994/95 they raised proceeds of £750,000. During the year 21 new societies were registered with the Commission; no registrations were revoked or refused.

7.3 The number of individual lottery returns received by the Commission fell in 2005/06. Returns were received for 6122 lotteries promoted by societies compared with 62,088 for the preceding 12 month period. The Commission does not hold records relating to lotteries conducted mainly in public houses. Excluding 'Hotspot' lotteries, which are frequent draw online schemes can be complex and societies are encouraged to give the Commission as much notice as possible of such schemes in order to avoid difficulties later if it transpires that the Commission has reservations about their legality.

7.4 Proceeds raised by societies' lotteries fell from £141.1 million in 2004/05 to £138.7 million in 2005/06, a decrease of £2.4 million or nearly 2%. Figures for proceeds in recent years are shown in table 7a.

7.5 Of the society ticket sales in 2005/06, around £29 million (21%) went on prizes, around £35 million (25%) went on expenses and the remaining £73 million (53%) went to the 'good cause'.

7.6 Societies intending to run lotteries with proceeds of less than £20,000 register with local authorities. The Commission does not hold records relating to these registrations.

## Returns to be made to the Commission

7.7 In addition to dealing with applications for registration and renewal of registration, the Commission's Lottery Section examines the returns of each lottery held and the audited accounts and reports on those returns from societies or local authorities which have sold more than £100,000 worth of tickets in one year. In May 2006, the Commission introduced a facility whereby societies can submit returns and their associated payments by online electronic means.

7.8 At the time of registration, societies and local authorities must provide the Commission with details of the lottery schemes they intend to run. Any changes to schemes or new schemes proposed after registration must be notified to the Commission at least four weeks before any tickets are put on sale. Many schemes submitted to the Commission are innovative and, in some cases, include the use of new technology. Work involved in considering the legality of such schemes can be complex and societies are encouraged to give the Commission as much notice as possible of such schemes in order to avoid difficulties later if it transpires that the Commission has reservations about their legality.

### Table 7a Figures for lottery proceeds

<table>
<thead>
<tr>
<th>Year</th>
<th>Proceeds (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000/01</td>
<td>£141.1m</td>
</tr>
<tr>
<td>2001/02</td>
<td>£138.7m</td>
</tr>
<tr>
<td>2002/03</td>
<td>£136.3m</td>
</tr>
<tr>
<td>2003/04</td>
<td>£134.9m</td>
</tr>
<tr>
<td>2004/05</td>
<td>£132.5m</td>
</tr>
<tr>
<td>2005/06</td>
<td>£130.1m</td>
</tr>
</tbody>
</table>

## Size of the lottery sector

7.9 At their peak in 1994/95, local authority schemes had been 647 societies registered. Two years later, there were 660 but no local authority schemes registered with the Commission. A year earlier, there were 660 societies but no local authority schemes registered with the Commission. 21 new societies were registered with the Commission; no registrations were revoked or refused.

7.10 The number of individual lottery returns received by the Commission fell in 2005/06. Returns were received for 6122 lotteries promoted by societies compared with 62,088 for the preceding 12 month period.

7.11 Of the 2005/06 returns, however, 52,255 were for ‘Hotspot’ lotteries, the numbers of returns were 7,567 for 6122 lotteries conducted mainly in public houses. Excluding ‘Hotspot’ lotteries, which are frequent draw online schemes can be complex and societies are encouraged to give the Commission as much notice as possible of such schemes in order to avoid difficulties later if it transpires that the Commission has reservations about their legality.

7.12 Proceeds raised by societies’ lotteries fell from £141.1 million in 2004/05 to £138.7 million in 2005/06, a decrease of £2.4 million or nearly 2%. Figures for proceeds in recent years are shown in table 7a.

7.13 Of the society ticket sales in 2005/06, around £29 million (21%) went on prizes, around £35 million (25%) went on expenses and the remaining £73 million (53%) went to the ‘good cause’.

7.14 Societies which wish to run larger lotteries (with proceeds in a single lottery of over £20,000 or cumulative annual proceeds of more than £250,000) and all local authority lottery schemes must first be registered with the Commission. At 31 March 2006 there were 660 societies but no local authority schemes registered with the Commission. A year earlier, there had been 647 societies and again no local authority schemes. Local authority lottery schemes now seem to have totally disappeared. At their peak in 1994/95 they raised proceeds of £750,000. During the year 21 new societies were registered with the Commission; no registrations were revoked or refused.

7.15 The number of individual lottery returns received by the Commission fell in 2005/06. Returns were received for 6122 lotteries promoted by societies compared with 62,088 for the preceding 12 month period. The Commission does not hold records relating to lotteries conducted mainly in public houses. Excluding ‘Hotspot’ lotteries, which are frequent draw online schemes can be complex and societies are encouraged to give the Commission as much notice as possible of such schemes in order to avoid difficulties later if it transpires that the Commission has reservations about their legality.

7.16 Of the society ticket sales in 2005/06, around £29 million (21%) went on prizes, around £35 million (25%) went on expenses and the remaining £73 million (53%) went to the ‘good cause’.

7.17 Societies intending to run lotteries with proceeds of less than £20,000 register with local authorities. The Commission does not hold records relating to these registrations.

7.18 Returns to be made to the Commission

7.19 In addition to dealing with applications for registration and renewal of registration, the Commission’s Lottery Section examines the returns of each lottery held and the audited accounts and reports on those returns from societies or local authorities which have sold more than £100,000 worth of tickets in one year. In May 2006, the Commission introduced a facility whereby societies can submit returns and their associated payments by online electronic means.

7.20 At the time of registration, societies and local authorities must provide the Commission with details of the lottery schemes they intend to run. Any changes to schemes or new schemes proposed after registration must be notified to the Commission at least four weeks before any tickets are put on sale. Many schemes submitted to the Commission are innovative and, in some cases, include the use of new technology. Work involved in considering the legality of such schemes can be complex and societies are encouraged to give the Commission as much notice as possible of such schemes in order to avoid difficulties later if it transpires that the Commission has reservations about their legality.
The Commission also received a large number of enquiries from within the United Kingdom and overseas concerning lottery scams. The Office of Fair Trading (OFT) advise that UK consumers alone lose over £1 billion per year to a variety of scams, including lottery themed ones, which exploit low cost, mass marketing techniques to target recipients.

7.10 The Commission also received a large number of enquiries from within the United Kingdom and overseas concerning lottery scams. The Office of Fair Trading (OFT) advise that UK consumers alone lose an estimated £1 billion per year to a variety of scams, including lottery themed ones, which exploit low cost, mass marketing techniques to target recipients. It is stressed that the Commission cannot offer a definitive interpretation of the law; that is a matter for the courts. The Commission’s website gives general information and advice in the “frequently asked questions” section.

Lottery frauds (scams)

7.11 The top ten scams identified by the OFT include telephone, email and postal lottery scams where people receive an unsolicited mailing or telephone call telling them that they have won a prize or that they are being entered into a lottery or prize draw. Usually a subsequent telephone call or email instructs the person to send money in respect of taxes and processing fees in order to release their prize. Needless to say, the prize does not exist.

7.12 The Commission’s firm advice is that people should not send money or any personal details to anyone who claims that a prize has been won in a lottery or draw that the person has not previously entered. Such claims are almost certainly fraudulent. Further information is available on the Commission’s website and on the OFT’s website at www.oft.gov.uk

Work with the National Lottery Commission

7.13 The Commission has regular meetings with the National Lottery Commission at official level to discuss areas of mutual interest with a view to developing ways for the two regulators to work together, exchanging knowledge and information. In March 2006, the Board members of the two organisations met to discuss current issues and problems faced by each. Any details of scams similar to those dealt with by the Commission are referred to the National Lottery Commission.

Enquiries dealt with by the Commission

7.9 The Commission’s Lotteries Section continues to receive telephone and email enquiries relating to free draws, prize competitions and lotteries which do not require registration with the Commission. Increasingly, these enquiries relate to schemes proposed to be organised using remote platforms such as the internet, satellite TV, mobile phones and other technology. Such enquiries generally relate to matters which fall outside the Commission’s statutory responsibilities. Although staff will assist enquirers as much as they can, since in most cases there is no other body or organisation to whom callers can turn, it is the Commission’s practice to advise that independent legal advice should not be sought before proceeding with proposals.

7.14 The Commission’s website gives general information and advice in the “frequently asked questions” section.
When trying to determine whether someone is an ELM or a service provider the degree of management potential and that such issues as the arrangements agreed between the society and the ELM for banking the lottery proceeds include adequate safeguards against the poor performance of the lottery or the financial failure of the ELM. The Commission also uses its powers to include conditions on an ELM certificate as it sees fit in order to safeguard the interests of societies.

Lotteries Council

7.19 The Commission and the Lotteries Council, the organisation which represents societies and others in the lotteries sector in Great Britain, continue to maintain a helpful and co-operative working relationship. The Commission’s Chairman addressed the Council’s annual conference in March 2006. Members of the Lotteries Section ran workshops at the conference and attended the various regional meetings held throughout autumn/winter 2005.

Lottery statistics

7.20 Table 7b below gives details of returns received from 1 April 2005 until 31 March 2006 for lotteries registered with the Commission. It shows the proceeds on society returns received by the Lotteries Section.

Table 7b Details of returns received in the period 1 April 2005 to 31 March 2006 for lotteries promoted in England, Wales and Scotland under schemes registered with the commission

<table>
<thead>
<tr>
<th>Society lotteries</th>
<th>Number of Lotteries</th>
<th>Ticket Sales</th>
<th>Expenses</th>
<th>Prizes</th>
<th>Balance to beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>England and Wales</td>
<td>48,522</td>
<td>£130,555,343</td>
<td>£33,295,079</td>
<td>25</td>
<td>£27,309,796</td>
</tr>
<tr>
<td>Scotland</td>
<td>11,600</td>
<td>£8,145,225</td>
<td>£2,037,057</td>
<td>25</td>
<td>£2,365,943</td>
</tr>
<tr>
<td>Total</td>
<td>60,122</td>
<td>£138,700,572</td>
<td>£55,332,136</td>
<td>25</td>
<td>£29,675,739</td>
</tr>
</tbody>
</table>

* This figure includes 52,255 “Hotspot” lotteries of which 11,186 were held in Scotland.
7.21 Table 7c shows comparative figures for the total ticket sales on returns received for each year from 1 April 2001 to 31 March 2006 for society and local authority lotteries in Great Britain for schemes registered with the Commission.

7.22 The pie chart shows the distribution of proceeds among prizes, expenses and the good causes.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>England and Wales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ticket Sales</td>
<td>101.9</td>
<td>113.1</td>
<td>117.4</td>
<td>130.3</td>
<td>130.6</td>
</tr>
<tr>
<td>No. of Lotteries</td>
<td>4,722</td>
<td>44,000</td>
<td>49,972</td>
<td>50,553</td>
<td>48,522</td>
</tr>
<tr>
<td>Scotland</td>
<td>7.0</td>
<td>16.9</td>
<td>9.2</td>
<td>10.8</td>
<td>8.1</td>
</tr>
<tr>
<td>Ticket Sales</td>
<td>265</td>
<td>365</td>
<td>3,558</td>
<td>11,535</td>
<td>11,600</td>
</tr>
<tr>
<td>No. of Lotteries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>108.9</td>
<td>129.9</td>
<td>126.6</td>
<td>141.1</td>
<td>138.7</td>
</tr>
<tr>
<td>Ticket Sales</td>
<td>4,987</td>
<td>44,365</td>
<td>53,530</td>
<td>62,088</td>
<td>60,122</td>
</tr>
<tr>
<td>No. of Lotteries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The pie chart shows the distribution of proceeds among prizes, expenses and the good causes.

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Prizes</th>
<th>Good causes</th>
</tr>
</thead>
<tbody>
<tr>
<td>21%</td>
<td>53%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Table 7c: Total ticket sales and number of lotteries shown on returns received between 1 April 2001 and 31 March 2006

[Diagram showing pie chart]
8 The Inspectorate

Introduction

8.1 This chapter sets out details of the operational activities of the Commission’s Inspectorate and related matters.

Inspection visits and other regulatory activities

8.2 During the year the Commission’s Inspectors made 2,753 supervisory visits to casinos and 2,182 supervisory visits to bingo clubs. In addition they made 313 inspections/visits to certificated machine suppliers and seven lottery inspections were completed. The Inspectorate also carried out a number of separate investigations, the majority of which were into casino and bingo licence applications, complaints in respect of licensed premises or other premises, and unlawful gaming. In particular there was an unusually large number of certificate of consent applications as both existing and new casino operators sought approvals under the Gaming Act 1968 before the final date of 28 April 2006 for such applications. Assistance provided to the police resulted in four prosecutions or cautions in respect of gaming and lottery related offences and Inspectors were named in 17 search warrants issued under section 43 of the Gaming Act 1968.

The Commission, mainly through its Inspectorate, continues to provide the Police, HM Revenue & Customs, the courts and other authorities with both specialist advice and assistance. In particular the current level of interest in ‘poker’ has resulted in numerous requests for advice from both the authorities and prospective operators. During the year Inspectors gave 16 talks to operators. During the year Inspectors gave 16 talks to operators.

Risk assessment

8.5 In recent years, the Gaming Board has risk assessed each gambling premise/operator against set criteria with the process determining the number of visits a particular premises would receive. The collaborative implementation of the Gambling Act 2005 and the responsibility of the Commission to issue operating licences have provided the natural catalyst for change to this system. Since the latter half of the reporting year, the Commission has been developing a new risk assessment process which will be primarily based on the risk that operators pose to the three licensing objectives enshrined in the 2005 Act. The industry is to be consulted on these proposed changes. The purpose of the changes is to ensure that the Commission’s compliance and enforcement resources are directed to the greatest areas of regulatory risk. Inspectors will also see the benefits of reduced regulatory intervention.

Major reviews

8.7 The Midland Region, with assistance from the Northern Region, carried out a major review of a new casino in the North West. The casino’s systems were examined and a number of areas were identified where ‘good practice advice’ was necessary. The operator responded well to that advice and the problems were addressed.

Thematic inspections

8.8 Using intelligence and risk assessment criteria, the following thematic inspections, where a particular subject is examined in depth in one or more casinos, were conducted:

(a) Compliance and security issues were examined at an independent London casino over a three-day period. No significant areas of concern were identified but good practice advice was given where appropriate.

(b) Two separate thematic inspections were carried out by the Northern Region covering casino executive certification and decision making, departmental manuals and signage. No serious matters were identified but again good practice advice was given in a number of areas.

(c) The Scottish & North Region carried out two thematic inspections covering reception and cash desk procedures, levels of gaming staff and internal reporting /audit procedures. A number of recommendations were made and subsequently implemented.
The restructuring of the Intelligence Unit started
All complaints received from members of the
The role of the Intelligence Section has been
The Intelligence Section continues to contribute
All complaints received from members of the
The Technical Compliance Inspectors continue to
41x65]been given by the Technical Compliance Inspectors to
41x77]Gaming machines
8.12
8.12
full implementation of the Gambling Act.
8.11
8.11
restructured as part of the overarching transition
This recommendation has been accepted and a
business process driving the use of intelligence.
recommendations will place intelligence at the heart
in the use and management of intelligence. Their
8.10
8.10
the Proceeds of Crime Act.
Sir Stephen Lander’s review of the regime around
Staff have continued to liaise with police forces
analytical support and guidance on money laundering.
During the past year the Section has also provided
facilitate the flow of information within the Commission.
8.9
8.9
enforcement functions; their principal recommendation
of the Commission’s licensing, compliance and
recommendations will place intelligence at the heart
of the use and management of intelligence. Their
8.8
8.8
were made by the Technical Compliance Inspectors.
A number of problems were identified and
a revised system of recording gaming table activity.
(e) The Midland Region conducted an inspection into
four formal complaints about the actions of the
Inspectorate staff.
The Gambling Commission 8 The Inspectorate| 43
authorities with respect to electromechanical gambling
devices and, in particular, issues related to the
operation of gaming terminals sited under section 21
of the Gambling Act, 1968 and section 16 of the Lotteries
& Amusements Act, 1976. Manufacturers have
continued their development of sections 16 and 21
games which have a similar appearance and play
characteristic to a traditional reel-based machine but
which offer the player the opportunity to stake up to
50p on each of a number of chances within each ‘play’
(or determination of winners). Each winning chance
may pay a maximum cash prize of £25. Hence the
traditional Amusement with Prizes (AWP) machines, it is
possible for the player to win more than one £25 prize
from each ‘play’. These machines have been causing the
Commission and DCMS some concerns as explained
in paragraphs 6.6 to 6.8 of this Report.
8.13 The Technical Compliance Inspectors continue to
analyse compliance data submitted by manufacturers
for all new AWP and Jackpot machines and support
investigations into the illegal supply of machines. Visits
to manufacturers and converters etc. also continue to
be undertaken according to ‘risk assessment’ criteria
which has proven to be a more efficient and effective
use of the Inspectors’ time.
Assistance to and contacts with overseas authorities
8.14 The Inspectorate continued to maintain its
contacts with and assist various gaming bodies
throughout the world. In many cases these reciprocal
arrangements allowed the Commission’s Inspectorate
to complete enquiries without resorting to overseas
countries. In many cases these reciprocal
arrangements allowed the Commission’s Inspectorate
to complete enquiries without resorting to overseas
contacts with and assist various gaming bodies

(g) A further thematic inspection was carried out in
two Glasgow casinos following the introduction of
a revised system of recording gaming table activity.
A number of problems were identified and
agreement was reached on appropriate remedies
between Commission staff and casino management.
(e) The Midland Region conducted an inspection into
suspected ‘cash flow’ problems within a number of
casinos. The problems identified have since
been addressed.

Intelligence Section
8.9 The Intelligence Section continues to contribute
to licensing, compliance and enforcement work and to
facilitate the flow of information within the Commission.
During the past year the Section has also provided
analytical support and guidance on money laundering.
Staff have continued to liaise with police forces
and HM Revenue and Customs on joint enquiries
and operations. The Section has contributed to
Sir Stephen Lander’s review of the regime around
the use of suspicious activity reports required under
the Proceeds of Crime Act.
8.10 The role of the Intelligence Section has been reviewed in
detail by consultants with a background in the
use and management of intelligence. Their
recommendations will place intelligence at the heart
of the Commission’s licensing, compliance and
enforcement functions; their principal recommendation
was to use the National Intelligence Model developed
by the Association of Chief Police Officers as the
business process driving the use of intelligence.
This recommendation has been accepted and a
new ‘Intelligence Unit’ is now being developed and
structured as part of the overarching transition
project to ready the Gambling Commission for the
full implementation of the Gambling Act.

8.11 The restructuring of the Intelligence Unit started with
the recruitment of a new Director of Intelligence
at the end of January; further staff are in the process
of being recruited. By the end of March a clear picture
was emerging of the structure of the new team and
the role they will play, guided by the National Intelligence
Model, at the heart of the Commission.

Gaming machines
8.12 Throughout the year, advice and guidance has been given by the Technical Compliance Inspectors to
the Police, HM Revenue & Customs and local licensing
9 Registered clubs

Introduction

9.1 Under section 10(3) of the Gaming Act 1968, the Gambling Commission is required to keep under review the extent, character and location of gaming facilities provided in clubs which are registered under Parts II and III of the Act. Part II registration applies only to members’ clubs whose main purpose is other than gaming (except that it can include clubs for the playing of bridge or whist) and to miners’ welfare institutes. Part III registration allows members’ clubs, and proprietary clubs other than licensed gaming clubs, to operate gaming machines. As the process of registration is the responsibility of the local licensing authority, the Commission obtains information on the administration of this part of the Act from the licensing authorities themselves. Surveys of authorities are held at three-yearly intervals and, in line with this, a survey was conducted in April 2006 covering registration under Parts II and III of the Act during the period 1 April 2003 – 31 March 2006. Despite reminders, only a proportion of returns were received in time for incorporation in this Report. The figures given below are therefore from the returns received that amounted to around 51% of those expected. The figures are consequently considerable underestimates of the true totals, although evidence from past surveys indicates that those who do not respond tend to be the smaller authorities.

Registration under Part II of the Act

9.2 Registration under Part II of the 1968 Gaming Act applies to clubs that have the right to operate gaming machines, and lasts for a period of five years.

9.3 The maximum daily charge for gaming under Part II remains at £2.00.

9.4 During this period 27 registrations were cancelled under Part II of the Act. This is 9.9% of the total number of registrations examined.

9.5 The above figures do not include any new registrations under Part II of the Act, which were conducted in April 2006 covering registration under Parts II and III of the Act during the period 1 April 2003 – 31 March 2006. Despite reminders, only a proportion of returns were received in time for incorporation in this Report. Surveys of authorities are held at three-yearly intervals and, in line with this, surveys were held in April 2006. Despite reminders, only a proportion of returns were received in time for incorporation in this Report. The figures given below are therefore from the returns received that amounted to around 51% of those expected. The figures are consequently considerable underestimates of the true totals, although evidence from past surveys indicates that those who do not respond tend to be the smaller authorities.

9.7 The registration of a club or miners’ welfare institute under Part III of the Act entitles them to three jackpot gaming machines, and lasts for a period of five years.

9.8 Table 9a shows the disposal of applications for such higher number of years as the licensing authority sees fit, up to a maximum of ten years.

Gaming under sections 40 and 41 of the Act

9.6 The Gambling Commission does not maintain statistics on gaming under sections 40 (i.e. gaming in clubs or miners’ welfare institutes whether or not registered under the Act) and 41 (i.e. gaming at entertainments not held for private gain) of the Act, but it would appear that generally speaking it is low stake gaming, as the Act intended. The daily maximum participation fee under section 40 for playing whist or bridge is £15.00. For all other games the maximum charge is 60p. The entrance fee/stake limit under section 41 is £4 and the total value of prizes must not exceed £400, or £700 at a final entertainment.

Registration under Part III of the Gaming Act 1968

9.9 Registration under Part III of the 1968 Gaming Act entitles them to three jackpot gaming machines, and lasts for a period of five years.

9.10 The maximum daily charge for gaming under Part III remains at £2.00.

9.11 During this period 443 registrations were cancelled or relinquished in England and Wales, and 27 in Scotland. The total number of clubs reported as registered under Part III of the Gaming Act at 31 March 2006 in England and Wales was 7,256. In Scotland it was 441.

9.12 The maximum daily charge for gaming under Part III of the Act is £2.00.

44 | 9 Registered clubs
Table 9a Registrations under Part II of the Gaming Act 1968 during the period 1 April 2003 to 31 March 2006

<table>
<thead>
<tr>
<th></th>
<th>England and Wales</th>
<th>Scotland</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial applications</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Granted</td>
<td>25</td>
<td>6</td>
<td>31</td>
</tr>
<tr>
<td>Refused</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Not proceeded with</td>
<td>14</td>
<td>0</td>
<td>14</td>
</tr>
<tr>
<td>Not determined by 31 March 2006</td>
<td>3</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>44</strong></td>
<td><strong>6</strong></td>
<td><strong>50</strong></td>
</tr>
<tr>
<td>Renewal applications</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Granted</td>
<td>207</td>
<td>54</td>
<td>261</td>
</tr>
<tr>
<td>Refused</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Not proceeded with</td>
<td>38</td>
<td>0</td>
<td>38</td>
</tr>
<tr>
<td>Not determined by 31 March 2006</td>
<td>3</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>249</strong></td>
<td><strong>54</strong></td>
<td><strong>303</strong></td>
</tr>
</tbody>
</table>

Table 9b Registrations under Part III of the Gaming Act 1968 during the period 1 April 2003 to 31 March 2006

<table>
<thead>
<tr>
<th></th>
<th>England and Wales</th>
<th>Scotland</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial applications</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Granted</td>
<td>601</td>
<td>5</td>
<td>606</td>
</tr>
<tr>
<td>Refused</td>
<td>18</td>
<td>0</td>
<td>18</td>
</tr>
<tr>
<td>Not proceeded with</td>
<td>41</td>
<td>0</td>
<td>41</td>
</tr>
<tr>
<td>Not determined by 31 March 2006</td>
<td>5</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>665</strong></td>
<td><strong>5</strong></td>
<td><strong>670</strong></td>
</tr>
<tr>
<td>Renewal applications</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Granted</td>
<td>4,116</td>
<td>312</td>
<td>4,428</td>
</tr>
<tr>
<td>Refused</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Not proceeded with</td>
<td>363</td>
<td>16</td>
<td>379</td>
</tr>
<tr>
<td>Not determined by 31 March 2006</td>
<td>33</td>
<td>0</td>
<td>33</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,512</strong></td>
<td><strong>328</strong></td>
<td><strong>4,840</strong></td>
</tr>
</tbody>
</table>
## Appendix I:

### Selection of key gaming industry and Commission statistics

<table>
<thead>
<tr>
<th>Year</th>
<th>Casinos Operating at year end</th>
<th>Drop (£million)</th>
<th>House win at % of drop</th>
<th>American roulette (including electronic roulette), as % of total drop</th>
<th>Applications for certificates of consent or their continuance (a) made</th>
<th>(b) determined (including withdrawn and fallen applications)</th>
<th>Certification of casino and bingo employees</th>
<th>Gaming machines</th>
<th>Lotteries</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001/02</td>
<td>122</td>
<td>3,532</td>
<td>17</td>
<td>64.6</td>
<td>46</td>
<td>71</td>
<td>4,777</td>
<td>Jackpot (or club machines) pinball, pushers, cranes</td>
<td>Society scheme registrations at year end</td>
</tr>
<tr>
<td>2002/03</td>
<td>126</td>
<td>3,788</td>
<td>18</td>
<td>65.6</td>
<td>36</td>
<td>32</td>
<td>2,771</td>
<td>Amusement with prizes (AWP) machines licensed</td>
<td>Local authority schemes registered at year end</td>
</tr>
<tr>
<td>2003/04</td>
<td>131</td>
<td>4,073</td>
<td>17</td>
<td>64.0</td>
<td>61</td>
<td>54</td>
<td>3,671</td>
<td>Certificates issued or re-issued</td>
<td>Schemes revoked</td>
</tr>
<tr>
<td>2004/05</td>
<td>138</td>
<td>4,158</td>
<td>17</td>
<td>64.0</td>
<td>75</td>
<td>30</td>
<td>3,736</td>
<td>Total ticket sales (£million)</td>
<td>Number of lotteries held under Board registered schemes</td>
</tr>
<tr>
<td>2005/06</td>
<td>140</td>
<td>4,231</td>
<td>17</td>
<td>65.0</td>
<td>105</td>
<td>101</td>
<td>3,159</td>
<td>Total ticket sales (£million)</td>
<td>Total ticket sales (£million)</td>
</tr>
</tbody>
</table>

* This figure includes 38,373 frequent draw “Hotspot” lotteries
** This figure includes 44,059 frequent draw “Hotspot” lotteries
*** This figure includes 54,669 frequent draw “Hotspot” lotteries
**** This figure includes 52,555 frequent draw “Hotspot” lotteries

---

* This figure includes 38,373 frequent draw “Hotspot” lotteries
** This figure includes 44,059 frequent draw “Hotspot” lotteries
*** This figure includes 54,669 frequent draw “Hotspot” lotteries
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Commissioners

Appendix II: Commissioners, staff and offices

Roy Penrose OBE QPM
Roy Penrose has had a career of almost 40 years with the police service. He was Director General of the National Crime Squad from 1998 until December 2000 and was previously a Deputy Assistant Commissioner in the Metropolitan Police. Mr. Penrose joined the Gaming Board in 2001 and is charged with taking a particular interest in the Inspectorate.

Eve Salomon†
Eve Salomon is a legal and regulatory consultant specialising in brokering both in the UK and internationally. Prior to joining the Gaming Board in January 2004, she was Director of Legal Affairs and Secretary to the Radio Authority. She is a member of the Press Complaints Commission and the Better Regulation Committee. She is a Director of two charities: Oval House, a youth arts centre in South London, and Forest of Dreams, a Welsh re-forestation project.

Michael Steen*
Michael Steen was formerly a partner with, and board member of, KPMG. He is a non-executive director of the Royal College of Music. He was appointed to the Commission's Scottish affairs.

Jenny Williams (Chief Executive)
Jenny Williams (Chief Executive) has a particular interest in the Inspectorate.

Appendix II:

Commissioners, staff and offices

Peter Dean CBE (Chairman)
Peter Dean joined the Gaming Board in 1998. He was Deputy Chairman of the Monopolies and Mergers Commission from 1990 to 1997, and from 1996 to 2001 served as the Investment Ombudsman appointed by the Investment Management Regulatory Organisation (IMRO) to handle complaints against IMRO regulated companies. Before that he was an Executive Director of Rio Tinto Plc for over 10 years. He has a legal background. Mr. Dean is a former Chairman of the International Association of Gaming Regulators.

Ben Gunn CBE QPM
Ben Gunn was Chief Constable of Cambridgeshire until his retirement in 2002. He is now a partner in Campbell Gunn Associates, management and marketing consultants. He is also a Director of the Horse Racing Regulatory Authority with special responsibility for security issues and is security advisor to the National Trust. Mr. Gunn joined the Gaming Board in January 2004.

Bill Knight†
Bill Knight is a solicitor. He is Chairman of the Financial Reporting Review Panel, Deputy Chairman of Lloyd’s Reporting Review Panel, Deputy Chairman of Lloyd’s Organisation (IMRO) to handle complaints against IMRO regulated companies. Before that he was an Executive Director of Rio Tinto Plc for over 10 years. He has a legal background. Mr. Dean is a former Chairman of the International Association of Gaming Regulators.

Robert Lockwood JPr
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Jenny Williams (Chief Executive)
Jenny Williams (Chief Executive) has a particular interest in the Inspectorate.
Appendix II: continued

Senior staff of the Gambling Commission
Chief Executive Jenny Williams
Deputy Chief Executive Tom Kavanagh CBE
Director of Operations Phill Brear
Director of Policy Beryl Brown
Director of Corporate Services Bill Butler
Director of Licensing and Compliance Hazel Canter
Director of Human Resources Justine Kenny
Director of Enforcement Andrew Lyman
Transition Project Director Niall Mackenzie
Director of Intelligence Andy Rennison
*** joined May 2006

Race Relations (Amendment) Act – Employment monitoring
Seventeen recruitment exercises were undertaken by our recruitment partners in the year ending 31 March 2006. A total of 1,000 applications were received, with the breakdown as follows:

White European 79.8%
White non-European 0.6%
Black African 0.6%
Black Caribbean 2.2%
Indian 12.4%
Pakistani 3.3%
Bangladeshi 0.1%
Mixed race 0.4%
Other 0.7%

Offices of the Gambling Commission
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Victoria Square
Birmingham B2 4BP
Tel 0121 230 6500
Fax 0121 237 2236
Email enqs@gamblingcommission.gov.uk
www.gamblingcommission.gov.uk

Telephone enquiry numbers
Victoria Square House switchboard
Tel 0121 230 6500
Enquiry line
Tel 0121 230 6666

Grade Staff in Post
Staff in Post
Exec 7
GC5 6
GC4 9
GC3 9
GC2 26
GC1 4
Senior Inspectors 4
Inspectors 26
Senior Technical Compliance Inspector 1
Inspector (Technical Compliance) 1
Total 93

The Commission's staff as at 31 March 2006

Race Relations (Amendment) Act – Employment monitoring
Appendix II: continued

Senior staff of the Gambling Commission
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Deputy Chief Executive Tom Kavanagh CBE
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Other 0.7%

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Tel 0121 230 6500
Fax 0121 237 2236
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Enquiry line
Tel 0121 230 6666

Grade Staff in Post
Staff in Post
Exec 7
GC5 6
GC4 9
GC3 9
GC2 26
GC1 4
Senior Inspectors 4
Inspectors 26
Senior Technical Compliance Inspector 1
Inspector (Technical Compliance) 1
Total 93

The Commission's staff as at 31 March 2006

Race Relations (Amendment) Act – Employment monitoring
Appendix II: continued
Introduction

This Management Commentary introduces the final set of accounts for the Gaming Board for Great Britain (the Board) and the first set of accounts for the Gambling Commission (the Commission). The Commission was established in accordance with Part 2 of the Gambling Act 2005 and assumed responsibility for the functions, rights and liabilities of the Gaming Board for Great Britain with effect from 1 October 2005. The Board ceased operations on 30 September 2005.

1. The Board ceased operations on 30 September 2005. The final set of accounts for the Board have been stated as opening balances for the Board for Great Britain with effect from 1 October 2005.

2. The final accounts for the Board, covering the six months to 30 September 2005, have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the approval of the Treasury in accordance with section 50 of the Gambling Act 1968. Under the provisions of the Gambling Act 2005 all assets, rights, and liabilities of the Board became those of the Commission in accordance with Schedule 4 of the Gambling Act 2005. The accounts have therefore been prepared as though operations were continuing.

3. The first accounts for the Commission, covering the six months to 31 March 2006, have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the approval of the Treasury in accordance with Schedule 4 of the Gambling Act 2005. As the Commission is a new entity, no comparatives can be found in the main body of the Annual Report at Chapter 2.

Principal activities

7. The Commission’s core objectives, as set out in the Gambling Act 2005, are to:
> keep crime out of gambling;
> ensure that gambling is conducted fairly and openly; and
> to protect children and vulnerable people.

Further details of the activities of the Commission in the year to 31 March 2006 are contained in the chapters comprising the main body of the Annual Report.

Financial position

Gaming Board for Great Britain

8. The final set of accounts for the Gaming Board for the six months ended 30 September 2005 show a total deficit of income over expenditure of £23,400 arising from Board operations. Work on transitional activities associated with the implementation of the Gambling Commission incurred expenditure of £1.8m. The Board received grant-in-aid totalling £4.1m during the period from the sponsor department, the Department for Culture, Media and Sport (DCMS), to £39,000.

Gambling Commission

10. The first set of accounts for the Gambling Commission for the six months ended 31 March 2006 show a total deficit of income over expenditure of £267,000 arising from Commission operations, Work on transitional activities associated with the Commission incurred expenditure of £2.4m. The Commission received grant-in-aid totalling £3.5m during the period from the sponsor department, the Department for Culture, Media and Sport (DCMS).

11. Net assets at 31 March 2006 amounted to £435,000.

Pension liabilities

12. The Commission recognises the expected cost of providing pensions to past and present employees who are covered by the Principal Civil Service Pension Scheme (PCSPS), which is an unfunded, defined benefit, multi-employer scheme, over the period during which it benefits from employees’ services by payment to the PCSPS of contributions. Liability for payment of future benefits is a charge on the PCSPS. The Commission makes payments to the former Chairmen of the Gaming Board are covered by a pension scheme which is ‘by analogy’ with the PCSPS. The Commission makes payments to the former Chairmen as they are due. The expected cost of providing pensions to past and present employees of the Commission is recognised on the balance sheet of the PCSPS. The Commission makes payments to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS of amounts calculated on an accruing basis.

13. The current Chairman of the Commission and former Chairmen of the Gaming Board are covered by a pension scheme which is ‘by analogy’ with the PCSPS. This provision is recognised on the balance sheet of the Commission.

Fees and charges

14. The Commission is required to cover its expenditure on operations, along with the costs of work on gaming and lotteries related issues carried out by the Government, the police and in support of licensing authorities, through the fees charged for certification and licensing. The Commission recognises the expected cost of the licensing justices (licensing courts in Scotland), under the Gaming Act 1968, are collected by the clerks of the licensing authorities, through the fees charged for certification and licensing. The total fees received by the Commission in respect of certificates and compliance activity, and the Commission’s operational costs for 2006/07, were £2.4m. The Commission will continue to set and charge fees under the old legislation, reviewing annually the fees set for certificates and registrations, and licences under the Gaming Act 1968 and the Lotteries and Amusements Act 1976, to ensure they recover the estimated costs of the Commission, together with the estimated and relevant costs of Licensing Justices, Police Authorities and DCMS, in relation to the regulation of the gaming industry. In the event a change in fee levels is required, the Commission will advise DCMS who will seek the consent of the Secretary of State for Culture, Media and Sport, and arrange for Parliamentary approval through a negative resolution statutory instrument.

15. For 2006/07, as for 2005/06, DCMS will continue to fund the Commission through grant-in-aid in line with the Funding Agreement covering again the costs of ongoing operations as well as the transition project. This means of funding will remain in place until the Gambling Commission implements the new licensing system, reflecting the provisions of the Gambling Act 2005, in early 2007. When the new licensing system comes into effect, the Commission will be required to fund directly its work through the fees collected, rather than surrendering the fees to the DCMS as in the past.

16. Until the new licensing system comes into effect, the Commission will continue to set and charge fees under the old legislation, reviewing annually the fees set for certificates and registrations, and licences under the Gaming Act 1968 and the Lotteries and Amusements Act 1976, to ensure they recover the estimated costs of the Commission, together with the estimated and relevant costs of Licensing Justices, Police Authorities and DCMS, in relation to the regulation of the gaming industry. In the event a change in fee levels is required, the Commission will advise DCMS who will seek the consent of the Secretary of State for Culture, Media and Sport, and arrange for Parliamentary approval through a negative resolution statutory instrument.

17. During the year, in accordance with past practice, a schedule of fees was prepared for the 2006/07 year based upon an estimate of the level of licensing, certification and compliance activity, and the Commission’s operational costs for 2006/07. No account was taken of costs associated with the transition process as any such costs deemed recoverable will be taken into account when setting fees under the new licensing regime. The following percentage fee increases were approved by the Secretary of State for Culture, Media and Sport on 1 April 2005 and 1 April 2006 respectively:

<table>
<thead>
<tr>
<th>Sector</th>
<th>From 2004/05</th>
<th>To 2005/06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Casino</td>
<td>4.0% to 10.0%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Bingo</td>
<td>6.0% to 10.0%</td>
<td>8.1%</td>
</tr>
<tr>
<td>Gaming machines</td>
<td>6.0%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Employee certificate of approval</td>
<td>5.5%</td>
<td>–</td>
</tr>
<tr>
<td>Lotteries</td>
<td>4.0%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

A full list of fees can be found at Appendix IV.

18. The current Chairman of the Commission and former Chairmen of the Gaming Board are covered by a pension scheme which is ‘by analogy’ with the PCSPS. The Commission makes payments to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS of amounts calculated on an accruing basis.

19. The current Chairman of the Commission and former Chairmen of the Gaming Board are covered by a pension scheme which is ‘by analogy’ with the PCSPS. The Commission makes payments to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS of amounts calculated on an accruing basis.

20. The current Chairman of the Commission and former Chairmen of the Gaming Board are covered by a pension scheme which is ‘by analogy’ with the PCSPS. The Commission makes payments to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS of amounts calculated on an accruing basis.
The following table sets out a summary of the fee income recovered and costs incurred in respect of regulation under the Gaming Act 1968 in total for both the Board and the Commission for the year to 31 March 2006.

<table>
<thead>
<tr>
<th></th>
<th>Gaming</th>
<th>Lotteries</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
<td>2005</td>
<td>2006</td>
</tr>
<tr>
<td>Fee income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costs</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes**

1. An analysis of the fee income received by the Board and the Commission is set out in note 4 of the respective Accounts.
2. The expenditure incurred by the Board/Commission is allocated directly where identifiable, or indirectly to the various case sections responsible for regulating gaming activity. Indirect expenditure is apportioned on an appropriate basis, e.g. staff numbers and floor area occupied, against each expenditure category. Service departments are then re-apportioned according to estimates of time spent on the different types of activity.
3. The 'Costs Recovered' represent expenditure which the Commission expects to recoup on a regular basis, and are accordingly deducted from the total costs forecast to be recovered through fees.
4. The fee and cost information provided in respect of the courts, police authorities and DCMS are estimates only. In particular, the estimated court fees have been calculated by using returns from the Courts regarding the number of licences granted, multiplied by the appropriate fees.
The above fee income and cost analysis, the Commission is also committed to, and is communicating. A communication strategy has already been created.

The Board/Commission made no charitable donations in line with government requirements, is to pay all invoices within 30 days of receipt unless a longer payment period has been agreed, or the amount billed is in dispute. In the year to 31 March 2006, 93% (target 95%) of invoices, totalling £5,581,544, were paid within 30 days of receipt.

The Board/Commission made no charitable donations in the year ended 31 March 2006.

Staff involvement and development

The Commission is committed to communicating with employees in a frank and sincere way, and will try to create an environment where employees are both willing to listen and prepared to express their opinions and ideas without fear. Formal mechanisms for consulting and communicating with employees will be developed over the coming months.

A communication strategy has already been produced and this will be developed into a range of formal and informal communications, ensuring that employees are kept up-to-date and understand their role within the organisation.

Charitable donations

The Board/Commission made no charitable donations in the year ended 31 March 2006.

Future developments and going concern

The Gambling Act 2005 provided for the creation of the Gambling Commission which commenced operations on 1 October 2005. As a result, at 30 September 2005, the Gaming Board for Great Britain ceased to exist. However, at the date of commencement of the Gambling Commission, the functions, rights and liabilities of the Gambling Commission by virtue of section 21 (2) of The Gambling Act 2005. Accordingly, the accounts of both the Gaming Board and the Gambling Commission are stated on a going concern basis with the closing of both the Gaming Board and the Gambling Commission of The Gambling Act 2005. Accordingly, the accounts of the organization are stated on a going concern basis with the closing of both the Gaming Board and the Gambling Commission of The Gambling Act 2005.

The estimated deficit of fee income compared to expenditure incurred in 2005/06 of £172,000 (2004/05 – surplus of £266,000) results from higher spending in the year than forecast, primarily on agency costs and will develop polices, procedures and practices to support this aim.

The Gambling Act 2005 provided for the creation of the Gambling Commission which commenced operations on 1 October 2005. As a result, at 30 September 2005, the Gaming Board for Great Britain ceased to exist. However, at the date of commencement of the Gambling Commission, the functions, rights and liabilities of the Gambling Commission by virtue of section 21 (2) of The Gambling Act 2005. Accordingly, the accounts of both the Gaming Board and the Gambling Commission are stated on a going concern basis with the closing of both the Gaming Board and the Gambling Commission of The Gambling Act 2005. Accordingly, the accounts of both the Gaming Board and the Gambling Commission are stated on a going concern basis with the closing of both the Gaming Board and the Gambling Commission of The Gambling Act 2005.
### Board of Commissioners

30. The following were members of the Board of Commissioners and also the Gaming Board during the year ended 31 March 2006. In accordance with Part 2 of the Gambling Act 2005, the Chairman and members of the Gaming Board immediately prior to commencement of the Commission were treated as if appointed Commissioners of the Gambling Commission with effect from 1 October 2005:

<table>
<thead>
<tr>
<th>Name</th>
<th>Period of Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Dean CBE (Chairman)</td>
<td>re-appointed 1 July 2001 for 5 years, extended to December 2007</td>
</tr>
<tr>
<td>Ben Gunn CBE QPM</td>
<td>1 January 2004 for 4 years</td>
</tr>
<tr>
<td>Bill Knight</td>
<td>1 January 2004 for 4 years</td>
</tr>
<tr>
<td>Bob Lockwood JP</td>
<td>1 January 2001 for 5 years, retired 31 December 2005</td>
</tr>
<tr>
<td>Gillian Milburn</td>
<td>1 January 2004 for 4 years</td>
</tr>
<tr>
<td>Roy Penrose OBE QPM</td>
<td>re-appointed 1 August 2004 for 5 years</td>
</tr>
<tr>
<td>Eve Salomon</td>
<td>1 January 2004 for 4 years</td>
</tr>
<tr>
<td>Michael Steen</td>
<td>re-appointed 1 March 2002 for 5 years</td>
</tr>
<tr>
<td>Jenny Williams</td>
<td>1 October 2005 for 5 years</td>
</tr>
</tbody>
</table>

31. Information about the members is included in Appendix II of the Annual Report. None of the Commissioners during the year ended 31 March 2006 held any company directorships or significant interests which might conflict with their responsibilities at the Commission.

### Jenny Williams

Chief Executive and Accounting Officer
The Gambling Commission
23 June 2006
Appendix III

continued

The Gaming Board for Great Britain
the accounts for the six months ended 30 September 2005

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62 The Certificate of the Comptroller
and Auditor General

The Financial Statements
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and losses
65 Balance sheet
65 Cash flow statement
66 Notes to the accounts,
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The Gambling Commission
the accounts for the six months ended 30 September 2005

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and losses
65 Balance sheet
65 Cash flow statement
66 Notes to the accounts,
including accounting policies
Remuneration report

This report covers the six months ended 30 September 2005 and sets out the policy and disclosures in relation to the senior managers of the Gaming Board.

The Gaming Board's long standing policy was to appoint senior officials on loan from their parent Civil Service department. Salaries for senior civil servants are set on the basis of advice from the Civil Service Senior Salaries Review Body. In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour marked and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits; and
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com.

Service contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit, normally on the basis of fair and open competition.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Peter Dean was appointed as Chairman for a three year term commencing 1 July 1998. This appointment may be terminated by written notice.

Jenny Williams was appointed as Chief Executive on 17 November 2004 on terms broadly comparable with other non-departmental public bodies' Chief Executives, subject to retirement age 65. Her employment may be terminated early by either party on six months' written notice.

Tom Kavanagh is a senior civil servant on loan to the Board.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the most senior officials of the Board.
### (i) Remuneration

<table>
<thead>
<tr>
<th></th>
<th>2006 (six months to 30 September 2005)</th>
<th>2005 (twelve months to 31 March 2005)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Salary (£000)</td>
<td>Benefits in kind (to nearest £100)</td>
</tr>
<tr>
<td>Jenny Williams Chief Executive Officer</td>
<td>60–65 (125–130 full year equivalent)</td>
<td>40–45 (115–120 full year equivalent)</td>
</tr>
<tr>
<td>Tom Kavanagh Board Secretary</td>
<td>40–45 (80–85 full year equivalent)</td>
<td>80–85 (80–85 full year equivalent)</td>
</tr>
<tr>
<td>Peter Dean Chairman</td>
<td>30–35 (60–65 full year equivalent)</td>
<td>1,900</td>
</tr>
</tbody>
</table>

**Salary**

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. In addition to the Chairman, all seven other Board members’ salaries fall in the band £5,000 to £10,000 (£15,000 to £20,000 full year equivalent). All Board members are part-time and only the Chairman’s post is pensionable.

**Benefits in kind**

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. Peter Dean was reimbursed for home to office travel and subsistence during the period to 30 September 2005. The Board also paid the tax due on these expenses.

---

### Remuneration Report continued

*i* Appendix III The Gambling Commission
(ii) Pension benefits

* Cash Equivalent Transfer Value

** The Chief Executive is not a member of the Civil Service pension scheme and no contributions have been paid by the Gaming Board to any other scheme. Instead the Board agreed an adjustment to salary which will reflect the lack of pension provision.

Civil service pensions

Pension benefits are provided through the civil service pension arrangements. Details of which can be found in note 7(b) to the accounts.

### 2006 (6 months to 30 September 2005)

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Age 60 as at 30/09/05</th>
<th>Real increase in pension and related lump sum (£000)</th>
<th>CETV at end date nearest (£000)</th>
<th>CETV at start date nearest (£000)</th>
<th>Employee contributions and transfers (£000)</th>
<th>Real increase in CETV to end date (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jenny Williams</td>
<td>Chief Executive</td>
<td>30–35</td>
<td>0–2.5 plus 841</td>
<td>799</td>
<td>841</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tom Kavanagh</td>
<td>Board Secretary</td>
<td>100–105</td>
<td>0–2.5 plus 604</td>
<td>560</td>
<td>604</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peter Dean</td>
<td>Chairman</td>
<td>0–5 plus 10–15</td>
<td>0–2.5 plus 64</td>
<td>53</td>
<td>64</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 2005 (12 months to 31 March 2005)

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Age 60 as at 31/03/05</th>
<th>Real increase in pension and related lump sum (£000)</th>
<th>CETV at end date nearest (£000)</th>
<th>CETV at start date nearest (£000)</th>
<th>Employee contributions and transfers (£000)</th>
<th>Real increase in CETV to end date (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jenny Williams</td>
<td>Chief Executive Officer</td>
<td>30–35</td>
<td>0–2.5 plus 80</td>
<td>560</td>
<td>604</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tom Kavanagh</td>
<td>Board Secretary</td>
<td>100–105</td>
<td>0–2.5 plus 60</td>
<td>53</td>
<td>64</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peter Dean</td>
<td>Chairman</td>
<td>0–5 plus 10–15</td>
<td>0–2.5 plus 60</td>
<td>53</td>
<td>64</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Cash Equivalent Transfer Value

** The Chief Executive is not a member of the Civil Service pension scheme and no contributions have been paid by the Gaming Board to any other scheme. Instead the Board agreed an adjustment to salary which will reflect the lack of pension provision.
Further details about the civil service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member’s accrued benefits and any contingent spouse’s pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003 – 04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the Civil Service vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 30 September 2005.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Jenny Williams
Chief Executive and Accounting Officer
The Gaming Board for Great Britain
23 June 2006

The Commission for Great Britain

Jenny Williams
Chief Executive and Accounting Officer
The Gaming Board for Great Britain
23 June 2006

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Jenny Williams
Chief Executive and Accounting Officer
The Gaming Board for Great Britain
23 June 2006
Statement of the Gaming Board's and Chief Executive's responsibilities

The Gaming Board for Great Britain is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Secretary of State for Culture, Media and Sport, with the consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the Board’s state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Gaming Board is required to:

> observe the Accounts Direction issued by the Secretary of State for Culture, Media and Sport with the approval of the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
> make judgements and estimates on a reasonable basis;
> state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
> prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Board will continue in operation.

The Accounting Officer for the Department for Culture, Media and Sport has designated the Chief Executive of the Gaming Board for Great Britain as the Accounting Officer for the Gaming Board. The relevant responsibilities of Accounting Officer, which include the responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, and for the keeping of proper records, are set out in the Non-Departmental Public Bodies’ Accounting Officers’ Memorandum issued by the Treasury and published in ‘Government Accounting’.

Jenny Williams
Chief Executive and Accounting Officer
The Gaming Board for Great Britain
23 June 2006

Statement on internal control

1. Period of coverage
This Statement on Internal Control covers the final six months of operation of the Gaming Board for Great Britain (the Board) which ceased to exist on 30 September 2005. With effect from 1 October 2005 the Gambling Commission (the Commission), which was established in accordance with Part 2 of the Gambling Act 2005, assumed responsibility for the functions, rights and liabilities of the Board.

2. Scope of responsibility
As Accounting Officer, I had responsibility for maintaining a sound system of internal control that supported the achievement of the Gaming Board for Great Britain’s policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I was personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

In undertaking this role, I reported to the Chairman of the Board on a day-to-day basis, and to the Board members at their regular meetings. The Board produced an annual report and accounts, which was presented to Parliament, setting out how the duties and responsibilities of the Board had been fulfilled. I operated within the terms of the Management Statement and Financial Memorandum agreed with the Department for Culture, Media and Sport, the responsible Government Department for the Board’s work, and had regular meetings with officials to discuss issues relevant to the Board’s functions.
Statement on internal control continued

3. The purpose of the system of internal control
The system of internal control was designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it could therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control was based on an ongoing process designed to identify and prioritise the risks to the achievement of Board policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control had been in place in the Gaming Board for Great Britain for the six months ended 30 September 2005 and was replaced by that of the Commission for the six months from 1 October 2005 to 31 March 2006, and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

4. Capacity to handle risk
The Board’s capacity to handle risk was based upon a combination of the following key components: leadership; staff involvement; and the organisation structure. For managing risk within the Board remained with the Chief Executive. The Chief Executive, who was also the Board’s Accounting Officer, was supported by the Senior Management Team in this function. The Board members, via the Audit Committee, oversaw the risk management function which operated within the Board.

The Senior Management Team provided the direction and resources with which to manage and assess risk. Senior managers involved staff in the risk assessment and management process through induction programmes, and the support of job roles and responsibilities through policy and procedures guides and specific training and development programmes. The guides and programmes assisted in the identification and management of risk and related contingency planning.

A risk management register was maintained by the Senior Management Team to record identified risks, and to monitor on a regular basis the outcome of the risk management strategies.

5. The risk and control framework
The risk and control framework implemented by the Board comprised the following key elements:

> the Senior Management Team acted as the key forum for identifying, recording and managing risk. This management group, which included the Chief Executive, prepared and maintained the risk strategy and risk register;

> the risk strategy set out the Board’s context for risk management, the attitude to risk, the structures for development programmes. The guides and programmes assisted in the identification and management of risk and related contingency planning.

A risk management register was maintained by the Senior Management Team to record identified risks, and to monitor on a regular basis the outcome of the risk management strategies.

> the risk register contained a record of all significant risks likely to impact on the functions and responsibilities of the Board. The risks were categorised in terms of impact, the steps taken to limit that impact, and the effect of that action on the particular risk rating. The register assigned responsibility to senior managers for keeping the register. Where the auditors identified weaknesses which needed to be addressed, they drew them to the attention of senior managers who were responsible for taking the necessary rectification action. The Board’s Audit Committee had a responsibility for oversight of the Board’s risk management strategy and framework and internal control systems in order to provide Board members with assurance of their adequacy.

> the risk and control framework was designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it could therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control was based on an ongoing process designed to identify

> the Board’s internal audit programme had, as its focus, the requirement to provide assurance that the risks faced by the Board were properly managed and controlled. Where the auditors identified weaknesses which needed to be addressed, they drew them to the attention of senior managers who were responsible for taking the necessary rectification action. The Board’s Audit Committee had a responsibility for oversight of the Board’s risk management strategy and framework and internal control systems in order to provide Board members with assurance of their adequacy.

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6. Review of effectiveness

As Accounting Officer, I had responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control was informed by the work of the internal auditors and the executive managers within the Board who had responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I was advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system was in place.

More specifically, the maintenance and review of the effectiveness of the system of internal control within the Board during the transitional period, prior to the launch of the Gambling Commission, was achieved through the co-ordination of the control and governance functions of the following organisation components:

- Meetings of Board/Commission Members – the eight Board members, who were appointed by the Secretary of State, met regularly to confirm the strategic direction of the Board/Commission, to review financial and operational performance against current plans, to monitor risk assessments, and to approve any expenditure in accordance with the government’s established regime of financial delegations;

- The Audit Committee – the Committee, which during the period to 30 September 2005 comprised four Board members, met at least four times each year to review the annual report and accounts, to consider the annual audit reports submitted by the internal and external audit teams, to monitor progress towards resolution of any internal and external audit recommendations, and to oversee the outcome of the Board/Commission’s Risk Management function;

- Transition Project Management Group – this group met on a regular basis to monitor and review progress on the work of the transition team, whose remit was specifically geared to the tasks involved in moving the organisation forward to the new structure for the Commission and to managing the risks associated with that task;

- Meetings of Senior Management – meetings of the senior management group, which were chaired by the Chief Executive, were held regularly throughout the year to monitor progress by operations, policy and corporate affairs including finance, against plans, to review risk, and to make any necessary and appropriate decisions relating to the day-to-day performance of the Board/Commission’s business; and

- Internal Audit – an internal audit function was performed by a qualified and independent third party to provide an independent opinion on the adequacy and effectiveness of the Board/Commission’s organisation in accordance with the government’s Internal Audit Standards. The Head of the Internal Audit function provided an independent opinion on the adequacy and effectiveness of the Board/Commission’s management control function.;

In accordance with the government’s established regime of financial delegations, the Board of the Gambling Commission met regularly to confirm the strategic direction of the Board/Commission, to review financial and operational performance against current plans, to monitor risk assessments, and to approve any expenditure in accordance with the government’s Internal Audit Standards. The Head of the Internal Audit function provided an independent opinion on the adequacy and effectiveness of the Board/Commission’s system of internal control together with recommendations for improvement.

There were no significant internal control problems to report during the period covered by this statement.

Jenny Williams

Chief Executive and Accounting Officer

The Gaming Board for Great Britain

23 June 2006
The Certificate of the Comptroller and Auditor General to the Gaming Board for Great Britain

I have audited the financial statements of the Gaming Board for Great Britain for the six months ended 30 September 2005. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Gaming Board for Great Britain, Chief Executive and auditor

The Gaming Board for Great Britain and Chief Executive are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Gaming Act 1968 and the Secretary of State for Culture, Media and Sport’s directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Gaming Board for Great Britain and Chief Executive’s Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Gaming Act 1968 and the Secretary of State for Culture, Media and Sport’s directions made thereunder.

I report to you if, in my opinion, the Annual Report is not consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I review whether the statement on pages 6 to 8 reflects the Gaming Board for Great Britain’s compliance with HM Treasury’s guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer’s statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Gaming Board for Great Britain’s corporate governance procedures or its risk and control procedures.

I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements. I report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. This other information comprises only Chapters 1 to 9 and Appendices I, II, IV and V, the financial statements. This other information comprises only Chapters 1 to 9 and Appendices I, II, IV and V, the financial statements.

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Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Gambling Board for Great Britain's affairs as at 30 September 2005 and of its deficit for the period then ended;

> the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Gaming Act 1968 and the Secretary of State for Culture, Media and Sport's directions made thereunder; and

> in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In my opinion

The financial statements and the part of the Remuneration Report to be audited give a true and fair view, in accordance with the Gaming Act 1968 and directions made thereunder by the Secretary of State for Culture, Media, and Sport, of the state of the Gaming Board for Great Britain's affairs as at 30 September 2005 and of its deficit for the period then ended;

The maintenance and integrity of the Gambling Commission's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

John Bourn

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

27 June 2006

The Gambling Commission  Appendix III | 63
## Income and expenditure account

**for the six months ended 30 September 2005**

<table>
<thead>
<tr>
<th></th>
<th>to 30 Sept 2005 (£000)</th>
<th>2004/05 (12 months) (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Notes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant-in-aid</td>
<td>4,141</td>
<td>6,198</td>
</tr>
<tr>
<td>Other income</td>
<td>54</td>
<td>129</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>4,195</td>
<td>6,327</td>
</tr>
<tr>
<td><strong>Expenditure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff costs</td>
<td>(1,672)</td>
<td>(2,838)</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>(2,765)</td>
<td>(3,314)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(3)</td>
<td>(9)</td>
</tr>
<tr>
<td><strong>Total expenditure</strong></td>
<td>(4,440)</td>
<td>(6,161)</td>
</tr>
<tr>
<td><strong>Operating (deficit)/surplus</strong></td>
<td>(245)</td>
<td>166</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>15</td>
<td>17</td>
</tr>
<tr>
<td>Notional capital charges</td>
<td>(3)</td>
<td>(5)</td>
</tr>
<tr>
<td><strong>(Deficit)/surplus on ordinary activities</strong></td>
<td>(237)</td>
<td>170</td>
</tr>
<tr>
<td>Write back notional capital charges</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Retained (deficit)/surplus for the year</td>
<td>(234)</td>
<td>175</td>
</tr>
<tr>
<td><strong>Movement on income and expenditure reserve</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated surplus brought forward</td>
<td>182</td>
<td>18</td>
</tr>
<tr>
<td>Retained (deficit)/surplus for the year</td>
<td>(234)</td>
<td>175</td>
</tr>
<tr>
<td>Adjustment on pensions</td>
<td>13</td>
<td>(11)</td>
</tr>
<tr>
<td><strong>Accumulated (deficit)/surplus carried forward</strong></td>
<td>13</td>
<td>(65)</td>
</tr>
<tr>
<td><strong>Total recognised (losses)/gains since the previous Annual Report</strong></td>
<td>(247)</td>
<td>164</td>
</tr>
</tbody>
</table>

All operations are treated as continuing.
The notes on pages 66 to 76 form part of these accounts.

## Statement of total recognised gains and losses

**for the six months ended 30 September 2005**

<table>
<thead>
<tr>
<th></th>
<th>to 30 Sept 2005 (£000)</th>
<th>2004/05 (12 months) (£000)</th>
</tr>
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<tbody>
<tr>
<td><strong>Notes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained (deficit)/surplus for the year</td>
<td>(234)</td>
<td>175</td>
</tr>
<tr>
<td>(Loss) on pension liability</td>
<td>13</td>
<td>(11)</td>
</tr>
<tr>
<td><strong>Total recognised (losses)/gains since the previous Annual Report</strong></td>
<td>(247)</td>
<td>164</td>
</tr>
</tbody>
</table>

The notes on pages 66 to 76 form part of these accounts.
Balance sheet
as at 30 September 2005

<table>
<thead>
<tr>
<th>Notes</th>
<th>(£000)</th>
<th>(£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible assets</td>
<td>9</td>
<td>20</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtors and prepayments</td>
<td>10</td>
<td>238</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td>16</td>
<td>1,059</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>1,297</td>
<td>1,607</td>
</tr>
<tr>
<td><strong>Creditors (amounts falling due within one year)</strong></td>
<td>(1,183)</td>
<td>(1,265)</td>
</tr>
<tr>
<td><strong>Net current assets</strong></td>
<td>114</td>
<td>342</td>
</tr>
<tr>
<td><strong>Net assets excluding pension liability</strong></td>
<td>134</td>
<td>365</td>
</tr>
<tr>
<td>Pension liability</td>
<td>11 (1,183)</td>
<td>(2,294)</td>
</tr>
<tr>
<td><strong>Net assets including pension liability</strong></td>
<td>(39)</td>
<td>211</td>
</tr>
<tr>
<td><strong>Capital and reserves</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserves</td>
<td>13 26</td>
<td>29</td>
</tr>
<tr>
<td>Income and expenditure reserve</td>
<td>13</td>
<td>(65)</td>
</tr>
<tr>
<td><strong>Total capital and reserves</strong></td>
<td>(39)</td>
<td>211</td>
</tr>
</tbody>
</table>

The notes on pages 66 to 76 form part of these accounts.

Jenny Williams
Chief Executive and Accounting Officer
The Gaming Board for Great Britain
23 June 2006

Cash flow statement
for the six months ended 30 September 2005

<table>
<thead>
<tr>
<th>Notes</th>
<th>£000</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net cash (outflow)/inflow from operating activities</strong></td>
<td>-435</td>
<td>835</td>
</tr>
<tr>
<td><strong>Returns on investment and servicing of finance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest received</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td><strong>Investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment to acquire tangible fixed assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash (outflow)/inflow before financing</strong></td>
<td>-419</td>
<td>851</td>
</tr>
<tr>
<td><strong>Financing</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant-in-aid for capital expenditure</td>
<td>(61)</td>
<td>(16)</td>
</tr>
<tr>
<td><strong>(Decrease)/increase in cash</strong></td>
<td>480</td>
<td>835</td>
</tr>
</tbody>
</table>

The notes on pages 66 to 76 form part of these accounts.

The Gambling Commission
Appendix III | 65
Notes to the accounts

1 Accounting policies

a) Accounting conventions

These are the final set of accounts for the Gaming Board for the six month period from 1 April 2005 to 30 September 2005. They have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the approval of the Treasury. A copy of the accounts direction can be obtained from the head office of the Gaming Board/Gambling Commission.

The accounts have been prepared using the historical cost convention modified by the inclusion of fixed assets at current cost. The accounts meet the accounting and disclosure requirements of the Companies Act 1985 and the accounting standards issued or adopted by the Accounting Standards Board to the extent that those requirements are appropriate.

The Gambling Act 2005 provided for the creation of the Gambling Commission which commenced operations on 1 October 2005. As a result, at 30 September 2005, the Gaming Board for Great Britain ceased to exist. However, at the date of commencement of the Gambling Commission, the functions, rights and liabilities of the Gaming Board for Great Britain became the functions, rights and liabilities of the Gambling Commission by virtue of section 21 (2) of The Gambling Act 2005. Accordingly, all figures in these accounts are stated on a going concern basis. No adjustments are necessary to the carrying values of assets, to their realisable values, or to provide for liabilities which would otherwise arise on cessation of the Board.

b) Fixed assets

Tangible fixed assets are capitalised when the original purchase price, on an individual basis, is £2,500 or more. No items are grouped.

Depreciation

Depreciation is provided on all assets on a straight line basis to write off the cost or valuation evenly over the asset’s currently anticipated life as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer equipment</td>
<td>4 years</td>
</tr>
<tr>
<td>Furniture</td>
<td>10 years</td>
</tr>
<tr>
<td>Office equipment</td>
<td>7 years</td>
</tr>
<tr>
<td>Telecoms</td>
<td>10 years</td>
</tr>
</tbody>
</table>

A full year’s depreciation is charged in the year of acquisition, with no charge being made in the year of disposal.
Revaluation

In order to disclose fixed assets in the Balance Sheet by reference to current costs, the appropriate index is applied to each asset (Source: Office of National Statistics Price Index Numbers for Current Cost Accounting) unless the effect of revaluing assets in a particular year would make no material difference to the results for that year. Permanent diminution in the value of fixed assets is charged to the Income and Expenditure Account. Assets are not revalued in their year of acquisition as their current and historical cost would not be materially different.

d) Deferred government grant reserve

A proportion of the grant-in-aid received, equal to expenditure on fixed asset acquisitions in the period, is taken to the Deferred Government Grant Reserve at the end of the financial year. The amount deferred is released back to the Income and Expenditure Account in line with depreciation charged.

d) Notional capital charges

In accordance with Treasury guidance, a notional charge for the cost of capital employed in the period is included in the Income and Expenditure Account along with an equivalent reversing entry below operating surplus. The charge for the period is calculated using the Treasury’s discount rate of 3.5% applied to the mean value of capital employed during the period.

e) Pension costs

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded. The scheme is contributory.

The Board recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees’ services by payment to the PCPS of amounts calculated on an accruing basis.

Liability for payment of future benefits is a charge on the PCPS.

The current and former Chairmen of the Board are covered by a pension scheme which is ‘by-analogy’ with the PCPS. The Board makes payments to the former Chairmen as they are due. However the expected cost of providing the pension is recognised over the period which the Board benefits from the Chairman’s services through the building up of a provision for the future liability calculated using actuarially assessed assumptions.

f) Operating leases

Payments made under operating leases on Land and Buildings and Equipment are charged to expenditure on an accruing basis.

g) Value added tax

Liability for payment of future benefits is a charge on the PCPS.

Payments made under operating leases on Land and Buildings and Equipment are charged to expenditure on an accruing basis.

h) Licence fee receipts

The Gaming Commission collects licence fee income on behalf of the Department for Culture, Media and Sport and passes on this income in full to the Department. The Gaming Board is separately funded by a Grant-in-Aid from the Department. Because the licence fee receipts are not legally the assets of the Gaming Board they are excluded from the Income and Expenditure account.

The Gaming Board collects licence fee income on behalf of the Department for Culture, Media and Sport and passes on this income in full to the Department because the licence fee receipts are not legally the assets of the Gaming Board they are excluded from the Income and Expenditure account.
Notes to the accounts continued

2 Grant-in-aid

<table>
<thead>
<tr>
<th>to 30 Sept 2005</th>
<th>2004/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>(6 months)</td>
<td>(12 months)</td>
</tr>
<tr>
<td>Grant-in-aid</td>
<td>Notes</td>
</tr>
</tbody>
</table>

Gaming Board operations
- Grant drawn from DCMS for operational purposes: £2,381
- Plus release of deferred government grant reserve in respect of depreciation charged: £3
- Less transfer to deferred government grant reserve in respect of fixed asset acquisitions: £-

Total Gaming Board operations: £2,384

Gaming Board transition
- Grant drawn from DCMS for transition purposes: £1,276
- Plus balance of grant brought forward from deferred income: £481
- Less unused portion of grant drawn carried forward as deferred income: £-

Total transition: £1,757

Total grant-in-aid: £4,141

The transition grant drawn from DCMS in 2004/05 included an advance of £367,533 against the 2005/06 grant allocation. This advance was made by DCMS to cover expenditure being incurred by the Gaming Board in anticipation of legislative approval for the formation of the Gambling Commission. At 31 March 2005, £251,259 of the advance remained unspent and was included in the Balance Sheet within ‘Deferred Income’.

At 30 September 2005 the balance of the advance had been fully utilised.

3 Transition team

A Transition Team was established in 2003/04 with a separate allocation of grant-in-aid in order to fund the activities necessary to plan the transition to the Gambling Commission. The transition activity, which has continued since that time, is explained in more detail in the Annual Report. A summary of the transition team income and expenditure follows:

<table>
<thead>
<tr>
<th>Notes</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant-in-aid</td>
<td>1,757</td>
</tr>
<tr>
<td>Interest</td>
<td>6</td>
</tr>
</tbody>
</table>

Total transition: £1,763

Total expenditure: £1,763

2 Grant-in-aid continued

<table>
<thead>
<tr>
<th>to 30 Sept 2005</th>
<th>2004/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>(6 months)</td>
<td>(12 months)</td>
</tr>
<tr>
<td>Staff costs</td>
<td>7</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>8</td>
</tr>
</tbody>
</table>

Total: £1,763

68 | Appendix III The Gambling Commission
4 Fee receipts

Fees are received in respect of certificates and registrations and these monies are paid over to DCMS for appropriation in aid of the DCMS. Receipts in the period are as follows:

<table>
<thead>
<tr>
<th></th>
<th>to 30 Sept 2005</th>
<th>2004/05</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(6 months)</td>
<td>(£000)</td>
</tr>
<tr>
<td>Section 19 certificates</td>
<td>319</td>
<td>742</td>
</tr>
<tr>
<td>Section 27 certificates</td>
<td>393</td>
<td>438</td>
</tr>
<tr>
<td>Certificates of consent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Bingo</td>
<td>61</td>
<td>113</td>
</tr>
<tr>
<td>– Casino</td>
<td>395</td>
<td>260</td>
</tr>
<tr>
<td>Multiple bingo</td>
<td>–</td>
<td>160</td>
</tr>
<tr>
<td>Total Gaming</td>
<td>1,168</td>
<td>1,713</td>
</tr>
<tr>
<td>Lotteries and Amusements Act</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>196</td>
<td>575</td>
</tr>
<tr>
<td>Total fee income</td>
<td>1,364</td>
<td>2,288</td>
</tr>
<tr>
<td>Interest on fee income</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>1,368</td>
<td>2,294</td>
</tr>
</tbody>
</table>

The Board collects its fee income on behalf of the DCMS, and surrenders the receipts in full to DCMS. As a result, the income from fees, and related payments to DCMS, are not included in the Board’s Income and Expenditure Account. Any outstanding balance due to DCMS at the end of the financial year is included in the Balance Sheet within ‘Other Creditors’. At 30 September 2005, the balance due to DCMS was £172,287 (2005: £232,906) after appropriations of £1,429,480.

5 Criminal Records Bureau

The Board is registered with the Criminal Records Bureau (CRB) to obtain disclosures, where necessary, on individuals making application for certificates with the Board. The CRB charge a fee for this work, currently £34 per application, which is invoiced to the Gaming Board. The Board therefore has to collect the relevant fees from applicants and hold them, pending a request for payment from the CRB. The income and expenditure arising from the CRB services are included within the operating income and expenditure respectively. The recovery of CRB fees is disclosed in Note 6.

6 Other income

Recovery of CRB fees 54 116
Miscellaneous income – 13
54 129
Notes to the accounts continued

7 Staff costs

a) Analysis of staff costs

<table>
<thead>
<tr>
<th>Operations</th>
<th>Transition</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>to 30 Sept</td>
<td>2005 (£000)</td>
<td>to 30 Sept</td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>1,149</td>
<td>1,717</td>
</tr>
<tr>
<td>Social Security costs</td>
<td>96</td>
<td>180</td>
</tr>
<tr>
<td>Other pension costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Included within operating profit</td>
<td>181</td>
<td>271</td>
</tr>
<tr>
<td>- Included as other finance costs</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>- Recognised in statement of total recognised gains and losses</td>
<td>13</td>
<td>11</td>
</tr>
<tr>
<td>Total other pension costs</td>
<td>198</td>
<td>290</td>
</tr>
<tr>
<td>Total staff costs</td>
<td>1,443</td>
<td>2,647</td>
</tr>
</tbody>
</table>

The above analysis comprises the following figures from the Income and Expenditure statement:

<table>
<thead>
<tr>
<th>Operations</th>
<th>Transition</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>to 30 Sept</td>
<td>2005 (£000)</td>
<td>to 30 Sept</td>
</tr>
<tr>
<td>Staff costs</td>
<td>1,426</td>
<td>2,628</td>
</tr>
<tr>
<td>Interest cost on pensions</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>1,443</td>
<td>2,647</td>
</tr>
</tbody>
</table>

b) Retirement benefits

The following disclosures are made in accordance with FRS 17, 'Retirement Benefits'.

(i) Staff The Board provides pension benefits for permanent staff under the Principal Civil Service Pension Scheme (PCSPS). This scheme, which is contributory, is an unfunded multi-employer defined benefit scheme and the Gaming Board is unable to identify its share of the underlying assets and liabilities. The scheme actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2003. Details can be found in the resource accounts of the Gaming Board. The scheme, which is a defined benefit scheme in the UK is valued in accordance with the actuarial valuation principles of the Pensions Act 2004. Details can be found in the resource accounts of the Gaming Board.

For the period to 30 September 2005, employer contributions of £202,536 were payable to the PCSPS (2004/05 £285,095) at one of four rates in the range 16.2% to 24.6% of pensionable pay, based on salary bands (the rates in 2004/05 were between 12% and 18.5%). The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2006/07 the salary bands will be revised and the rates will be in a range between 17.1% and 25.5%.

(ii) Staff The Board provides pension benefits for permanent staff under the Principal Civil Service Pension Scheme (PCSPS). This scheme, which is contributory, is an unfunded multi-employer defined benefit scheme and the Gaming Board is unable to identify its share of the underlying assets and liabilities. The scheme actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2003. Details can be found in the resource accounts of the Gaming Board. The scheme, which is a defined benefit scheme in the UK is valued in accordance with the actuarial valuation principles of the Pensions Act 2004. Details can be found in the resource accounts of the Gaming Board.

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The following disclosures are made in accordance with FRS 17, 'Retirement Benefits'.

The above analysis comprises the following figures from the Income and Expenditure statement:

<table>
<thead>
<tr>
<th>Staff costs</th>
<th>Alternative disclosures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations</td>
<td>Transition</td>
</tr>
<tr>
<td>to 30 Sept</td>
<td>2005 (£000)</td>
</tr>
<tr>
<td>Staff costs</td>
<td>1,426</td>
</tr>
<tr>
<td>Interest cost on pensions</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>1,443</td>
</tr>
</tbody>
</table>

The following disclosures are made in accordance with FRS 17, 'Retirement Benefits'.

(i) Staff The Board provides pension benefits for permanent staff under the Principal Civil Service Pension Scheme (PCSPS). This scheme, which is contributory, is an unfunded multi-employer defined benefit scheme and the Gaming Board is unable to identify its share of the underlying assets and liabilities. The scheme actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2003. Details can be found in the resource accounts of the Gaming Board. The scheme, which is a defined benefit scheme in the UK is valued in accordance with the actuarial valuation principles of the Pensions Act 2004. Details can be found in the resource accounts of the Gaming Board. The scheme, which is a defined benefit scheme in the UK is valued in accordance with the actuarial valuation principles of the Pensions Act 2004. Details can be found in the resource accounts of the Gaming Board.

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The above analysis comprises the following figures from the Income and Expenditure statement:
A full actuarial valuation of the scheme was carried out by the Government Actuary at 31 March 2004. The main financial assumptions used by the actuary in calculation of the liability for the scheme are as follows:

- Inflation assumption: 2.5% (2004/05: 2.5%)
- Rate on increase in salaries: 4.0% (2004/05: 4.0%)
- Discount rate for scheme liabilities: 5.4% (2004/05: 6.1%)

The present value of the scheme liability at 30 September 2005 is £173,300 (2004/05: £154,200).

### Analysis of amount charged to operating surplus:

<table>
<thead>
<tr>
<th>Current service cost</th>
<th>7</th>
</tr>
</thead>
</table>
| (ii) Chairman | In addition to the above, pension benefits are provided to the current chairman and three former chairmen under a defined benefit scheme which is broadly by analogy with the civil service classic scheme. There is no minimum retirement age and there are certain minor modifications to the standard civil service arrangements in respect of enhancements. The scheme is contributory, is unfunded and there is no surplus or deficit. Benefits are paid as they fall due. In a full actuarial valuation of the scheme was carried out by the Government Actuary at 31 March 2004. The main financial assumptions used by the actuary in calculation of the liability for the scheme are as follows:

- Inflation assumption: 2.5% (2004/05: 2.5%)
- Rate on increase in salaries: 4.0% (2004/05: 4.0%)
- Discount rate for scheme liabilities: 5.4% (2004/05: 6.1%)

The present value of the scheme liability at 30 September 2005 is £173,300 (2004/05: £154,200).

### Analysis of amount charged to operating surplus:

- Current service cost: 7

### Analysis of amount charged to operating surplus:

- Interest on pension scheme liabilities: 4

### Analysis of amount charged to operating surplus:

- Actuarial (loss): (3)

### Analysis of amount charged to operating surplus:

- Overnight increase in liability (change on return): (10)

### Analysis of amount charged to operating surplus:

- Total (loss) recognised in STRGL: (11)

The contribution rates are set to meet the cost of the benefits accruing during 2005/06 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions equal to 0.8% of pensionable pay are payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees. As at 30 September 2005 no Gaming Board employees had taken up the option of a partnership pension.
7 Staff costs continued

c) Average number of persons employed by the Gaming Board was:

<table>
<thead>
<tr>
<th></th>
<th>to 30 Sept 2005 (6 months) (£000)</th>
<th>2004/05 (12 months) (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secretariat</td>
<td>36</td>
<td>38</td>
</tr>
<tr>
<td>Inspectorate</td>
<td>34</td>
<td>34</td>
</tr>
<tr>
<td>Transition</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>80</strong></td>
<td><strong>75</strong></td>
</tr>
</tbody>
</table>

8 Other operating costs

<table>
<thead>
<tr>
<th>Operations (6 months)</th>
<th>2004/05 restated (12 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Operations</td>
</tr>
<tr>
<td>Accommodation</td>
<td>440</td>
</tr>
<tr>
<td>Professional &amp; accountancy fees</td>
<td>191</td>
</tr>
<tr>
<td>Travelling and subsistence</td>
<td>136</td>
</tr>
<tr>
<td>Training and Recruitment Agency staff</td>
<td>265</td>
</tr>
<tr>
<td>Office supplies and services</td>
<td>50</td>
</tr>
<tr>
<td>Hospitality</td>
<td>3</td>
</tr>
<tr>
<td>IT Expenditure</td>
<td>64</td>
</tr>
<tr>
<td>Payroll pension service charges and internal audit fee</td>
<td>11</td>
</tr>
<tr>
<td>Gaming Regulators European Forum</td>
<td>4</td>
</tr>
<tr>
<td>Audit fee</td>
<td>20</td>
</tr>
<tr>
<td>Diminution in value of fixed assets</td>
<td>-</td>
</tr>
<tr>
<td>Amounts payable to CRB</td>
<td>54</td>
</tr>
<tr>
<td>Write off old season ticket balances</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total Operating Costs</strong></td>
<td><strong>1,248</strong></td>
</tr>
</tbody>
</table>

Included within operating costs are payments made by the Board during the year under operating leases. These may be analysed as follows:

| Land and buildings | 402 | 687 |
| Other              | 2   | 5   |

| 7 Staff costs continued |

c) Average number of persons employed by the Gaming Board was:

<table>
<thead>
<tr>
<th></th>
<th>to 30 Sept 2005 (6 months) (£000)</th>
<th>2004/05 (12 months) (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secretariat</td>
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<td>38</td>
</tr>
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<td>34</td>
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<tr>
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<td>3</td>
</tr>
<tr>
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<td><strong>75</strong></td>
</tr>
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</table>

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<table>
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<th>2004/05 restated (12 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
<tr>
<td>Accommodation</td>
<td>440</td>
</tr>
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<tr>
<td>Office supplies and services</td>
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</tr>
<tr>
<td>Hospitality</td>
<td>3</td>
</tr>
<tr>
<td>IT Expenditure</td>
<td>64</td>
</tr>
<tr>
<td>Payroll pension service charges and internal audit fee</td>
<td>11</td>
</tr>
<tr>
<td>Gaming Regulators European Forum</td>
<td>4</td>
</tr>
<tr>
<td>Audit fee</td>
<td>20</td>
</tr>
<tr>
<td>Diminution in value of fixed assets</td>
<td>-</td>
</tr>
<tr>
<td>Amounts payable to CRB</td>
<td>54</td>
</tr>
<tr>
<td>Write off old season ticket balances</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total Operating Costs</strong></td>
<td><strong>1,248</strong></td>
</tr>
</tbody>
</table>

Included within operating costs are payments made by the Board during the year under operating leases. These may be analysed as follows:

| Land and buildings | 402 | 687 |
| Other              | 2   | 5   |
### 9 Tangible fixed assets

<table>
<thead>
<tr>
<th></th>
<th>Computers (£000)</th>
<th>Furniture (£000)</th>
<th>Office Equipment (£000)</th>
<th>Telecoms (£000)</th>
<th>Total (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost/valuation</strong> At 31 March 2005</td>
<td>27</td>
<td>–</td>
<td>21</td>
<td>19</td>
<td>67</td>
</tr>
<tr>
<td></td>
<td>Revaluations</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Additions</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Disposals</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>At 30 September 2005</strong></td>
<td>27</td>
<td>–</td>
<td>21</td>
<td>19</td>
<td>67</td>
</tr>
<tr>
<td><strong>Accumulated depreciation</strong> At 31 March 2005</td>
<td>24</td>
<td>–</td>
<td>9</td>
<td>11</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td>Revaluations</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Additions</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Disposals</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>At 30 September 2005</strong></td>
<td>25</td>
<td>–</td>
<td>10</td>
<td>12</td>
<td>47</td>
</tr>
<tr>
<td><strong>Net book value at 30 September 2005</strong></td>
<td>2</td>
<td>–</td>
<td>11</td>
<td>7</td>
<td>20</td>
</tr>
<tr>
<td><strong>Net book value at 31 March 2005</strong></td>
<td>3</td>
<td>–</td>
<td>12</td>
<td>8</td>
<td>23</td>
</tr>
</tbody>
</table>

### 10 Debtors

<table>
<thead>
<tr>
<th></th>
<th>to 30 Sept 2005 (£000)</th>
<th>2004/05 (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Staff season ticket loans and expense imprests</strong></td>
<td>28</td>
<td>35</td>
</tr>
<tr>
<td><strong>Bank interest accrued</strong></td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Other debtors</strong></td>
<td>–</td>
<td>4</td>
</tr>
<tr>
<td><strong>Prepayments</strong></td>
<td>208</td>
<td>134</td>
</tr>
<tr>
<td><strong>Accruals</strong></td>
<td>630</td>
<td>414</td>
</tr>
<tr>
<td><strong>Deferred income</strong></td>
<td>–</td>
<td>481</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,183</td>
<td>1,265</td>
</tr>
</tbody>
</table>

The bank overdraft figure represents cheques which were unpresented at balance date. There was no actual overdraft on the bank account at either 30 September 2005 or 31 March 2005.

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**The Gambling Commission Appendix III | 73**
Notes to the accounts continued

12 Pension liability

This provision recognises the accruing pension liability for the current Chairman of the Gaming Board, together with payments due in respect of three former chairmen.

<table>
<thead>
<tr>
<th>(£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 March 2005</td>
</tr>
<tr>
<td>Overnight increase in liabilities (change in real return)</td>
</tr>
<tr>
<td>Current service cost</td>
</tr>
<tr>
<td>Interest cost</td>
</tr>
<tr>
<td>Actuarial loss in the period</td>
</tr>
<tr>
<td>Paid in year</td>
</tr>
<tr>
<td>At 30 September 2005</td>
</tr>
</tbody>
</table>

The overnight increase in liabilities is the impact of a change in the real investment return in excess of inflation for valuing pension scheme liabilities as at 1 April 2005.

13 Reserves

<table>
<thead>
<tr>
<th>(£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 April 2005</td>
</tr>
<tr>
<td>Deficit for year</td>
</tr>
<tr>
<td>(234) - (234)</td>
</tr>
<tr>
<td>Adjustment on pensions</td>
</tr>
<tr>
<td>(13) - (13)</td>
</tr>
<tr>
<td>Release for depreciation</td>
</tr>
<tr>
<td>(3) - (3)</td>
</tr>
<tr>
<td>At 30 September 2005</td>
</tr>
<tr>
<td>(65) - 26</td>
</tr>
</tbody>
</table>

14 Impact of pension liability on income and expenditure reserve

<table>
<thead>
<tr>
<th>(£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income and expenditure reserve excluding pension liability</td>
</tr>
<tr>
<td>Pension liability</td>
</tr>
<tr>
<td>Income and expenditure reserve</td>
</tr>
</tbody>
</table>

Appendix III

The Gambling Commission

Notes to the accounts continued
15 Reconciliation of operating (deficit)/surplus to the net cash (outflow)/inflow from operating activities
to 30 Sept 2005

### Operating (deficit)/surplus
- (245)

### Depreciation provided in year
- 3

### Diminution in value of fixed assets
- 6

### Release of deferred government grant
- (3)

### Increase in provision relating to operating activities
- 2

### (Increase) in debtors relating to operating activities
- (64)

### (Decrease)/increase in creditors relating to operating activities
- 666

#### Net cash (outflow)/inflow from operating activities
- (435)

16 Analysis of balances of cash as shown in the balance sheet

#### Cash at bank and in hand
- To 30 Sept 2005
  - (435)
- 2005/06 (6 months)
  - (166)

17 Capital commitments
There were no capital commitments at 30 September 2005 (31 March 2005: Nil).

18 Commitments under operating leases
At 30 September 2005, the Board was committed to making the following payments under operating leases in the year to 30 September 2006.

### Operating leases which expire:

<table>
<thead>
<tr>
<th></th>
<th>to 30 Sept 2005</th>
<th>2004/05</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(£000)</td>
<td>(£000)</td>
</tr>
<tr>
<td>Online gambling</td>
<td>1,432</td>
<td>1,059</td>
</tr>
<tr>
<td>Other</td>
<td>1,431</td>
<td>951</td>
</tr>
</tbody>
</table>

The Gambling Commission Appendix III | 75
Notes to the accounts continued

19 Related party transactions

The Gaming Board for Great Britain is a Non-Departmental Public Body financed by grant-in-aid from the Department for Culture, Media and Sport.

The Department for Culture, Media and Sport is regarded as a related party. During the six months to 30 September 2005, the Gaming Board has had various material transactions with DCMS, comprising largely grant-in-aid and appropriation of fee income. These transactions are shown in the Income and Expenditure Account and notes to the accounts.

During the six months none of the Board Members, members of key management staff or other related parties has undertaken any material transactions with the Gaming Board for Great Britain.

20 Financial instruments

FRS 13 (Derivatives and Other Financial Instruments) requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. The Gaming Board has no borrowings and relies entirely on departmental grants for its cash requirements. It is therefore not exposed to liquidity risks. It also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk.

The Board has obtained consent from its sponsoring department to place surplus funds on bank deposit. It would also require consent from its sponsoring department prior to acquiring financial instruments or borrowings.

21 Contingencies

There are no contingent gains or losses to report in the six months to 30 September 2005 (31 March 2005: Nil).

20 Financial instruments continued

There are no contingent gains or losses to report in the six months to 30 September 2005 (31 March 2005: Nil).
The Gambling Commission

the accounts for the six months ended 31 March 2006

Contents
78 Remuneration report
83 Statement of the Gambling Commission's and Chief Executive's responsibilities
84 Statement on internal control
87 The Certificate of the Comptroller and Auditor General

The Financial Statements
89 Income and expenditure account
89 Statement of total recognised gains and losses
90 Balance sheet
90 Cash flow statement
91 Notes to the accounts, including accounting policies
This report covers the six months ending 31 March 2006 and provides details of the Remuneration Committee and its functions, and sets out the policy and disclosures in relation to the remuneration of the senior managers of the Gambling Commission.

Remuneration Committee

The Remuneration Committee of the Gambling Commission has been established to support the Board of Commissioners, and the Chief Executive as Accounting Officer (as appropriate), in their responsibilities for:

- confirming a strategic direction for appraisal and remuneration policies and systems, and other significant terms and conditions of employment;
- reviewing the performance, and remuneration of the Chief Executive;
- reviewing the remuneration proposed for the senior management team; and
- recruitment (as required) of the Chief Executive.

In exercising their responsibilities the Committee have regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- the need to set challenging performance objectives;
- the need to achieve 'value for money' whilst supporting the Commission's corporate and business planning objectives; and
- the funds available to meet on-going commitments.

The Committee comprises Bill Knight (Chairman), Ben Gunn, and Eve Salomon.
Remuneration of senior management

Board of Commissioners

The Chairman and Board of Commissioners are appointed by the Secretary of State on terms set on the basis of advice from the Civil Service Senior Salaries Review Body. Appointments are for a period of between three and five years and may be renewed for a further term. With the exception of the Chairman, Commissioners’ appointments are non-pensionable. Appointments may be terminated at any time by either party giving written notice.

The Chairman, Peter Dean, was appointed for a three year term commencing 1 July 1998. This was renewed on 1 July 2001 for a further five years and has now been extended to 31 December 2007. The appointment may be terminated by written notice.

Senior managers

Senior managers are, in most cases, not established civil servants but are employed directly by the Commission. The Commission’s standard terms of employment for senior managers are contracts of three years, reviewable 12 weeks before the end. Pay is performance-based and is broadly in line with Senior Civil Service pay bands. Performance targets are set and measured in accordance with the Remuneration Committee’s policy on pay and reward. Senior managers’ performance targets, achievement against targets, and recommendations on changes in remuneration are reviewed by the Remuneration Committee. Except during probation or where guilty of gross misconduct, senior managers are entitled to receive and required to give twelve weeks’ notice of early termination.

Existing civil servants on loan to the Commission, except where stated otherwise, are on contracts that are open-ended until they reach normal retirement age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.
### Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the most senior managers of the Commission.

#### (i) Remuneration

<table>
<thead>
<tr>
<th>Name</th>
<th>Salary (nearest (£000) £100)</th>
<th>Benefits in kind (nearest £100)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Dean Chairman</td>
<td>45–50</td>
<td>2,400</td>
</tr>
<tr>
<td>Jenny Williams Chief Executive Officer</td>
<td>85–90</td>
<td></td>
</tr>
<tr>
<td>Tom Kavanagh Deputy Chief Executive</td>
<td>40–45</td>
<td></td>
</tr>
<tr>
<td>Phillip Brear Director of Operations</td>
<td>35–40</td>
<td></td>
</tr>
<tr>
<td>Hazel Canter Director of Licensing and Compliance</td>
<td>20–25</td>
<td></td>
</tr>
<tr>
<td>Bill Butler Director of Corporate Services</td>
<td>10–15, 300</td>
<td></td>
</tr>
</tbody>
</table>

#### Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. In addition to the Chairman, all other Commissioners' salaries fall in the band £10,000 to £15,000 (£25,000 to £30,000 full year equivalent). All Commissioners are part-time and only the Chairman's post is pensionable.

#### Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. In the six months to 31 March 2006, Peter Dean was reimbursed for home to office travel and subsistence, on which the Commission also paid the tax due. Bill Butler was provided with a lease car.
(ii) Pension benefits

Pension benefits are provided through the Civil Service pension arrangements, details of which can be found at www.civilservice-pensions.gov.uk.

Further details about the Civil Service pension arrangements can be found at note 7(b) of the accounts.

### Civil service pensions

Cash Equivalent Transfer Value

The Chief Executive is not a member of the Civil Service pension scheme and no contributions have been paid by the Commission to any other scheme. Instead the Commission agreed an adjustment to salary which will reflect the lack of pension provision.

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Accrued pension at age 60 (June 2006)</th>
<th>Real increase in pension and related lump sum (£000)</th>
<th>CETV at start date nearest (£000)</th>
<th>CETV at end date nearest (£000)</th>
<th>Employees contributions and transfers (£000)</th>
<th>Real increase in CETV to nearest (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Dean</td>
<td>Chairman</td>
<td>0–5 plus 15–20</td>
<td>0–2.5 plus 5–7.5</td>
<td>134</td>
<td>91</td>
<td>0–2.5</td>
<td>38</td>
</tr>
<tr>
<td>Jenny Williams</td>
<td>Chief Executive</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Tom Kavanagh</td>
<td>Deputy Chief Executive</td>
<td>35–40 plus 105–110</td>
<td>0–2.5 plus 5–7.5</td>
<td>843</td>
<td>785</td>
<td>0–2.5</td>
<td>10</td>
</tr>
<tr>
<td>Phillip Brear</td>
<td>Director of Operations</td>
<td>0–5 plus 105–110</td>
<td>0–2.5 plus 5–7.5</td>
<td>10</td>
<td>0</td>
<td>2.5–5</td>
<td>9</td>
</tr>
<tr>
<td>Hazel Canter</td>
<td>Director of Licensing and Compliance</td>
<td>0–5 plus 105–110</td>
<td>0–2.5 plus 5–7.5</td>
<td>7</td>
<td>0</td>
<td>2.5–5</td>
<td>6</td>
</tr>
<tr>
<td>Bill Butler</td>
<td>Director of Corporate Services</td>
<td>0–5 plus 105–110</td>
<td>0–2.5 plus 5–7.5</td>
<td>3</td>
<td>0</td>
<td>2.5–5</td>
<td>3</td>
</tr>
</tbody>
</table>

Note: *CETV at start date nearest* and *CETV at end date nearest* are both calculated to the nearest £1000.

---

(ii) Pension benefits

Pension benefits are provided through the civil service pension arrangements, details of which can be found at note 7(b) of the accounts.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk.
Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member’s accrued benefits and any contingent spouse’s pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2006.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Jenny Williams
Chief Executive and Accounting Officer
The Gambling Commission

23 June 2006
The Gambling Commission is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Secretary of State for Culture, Media and Sport, with the consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the Commission’s state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year. As the Gambling Commission was not established until 1 October 2005 these accounts have been prepared for the period from 1 October 2005 to 31 March 2006.

In preparing the accounts the Gambling Commission is required to:

> observe the Accounts Direction given by the Secretary of State for Culture, Media and Sport with the approval of the Treasury, in accordance with Schedule 4 of the Gambling Act 2005, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

> make judgements and estimates on a reasonable basis;

> state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and

> prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Commission will continue in operation.

The Accounting Officer for the Department for Culture, Media and Sport has designated the Chief Executive of the Gambling Commission as the Accounting Officer for the Gambling Commission. The relevant responsibilities of Accounting Officer, which include the responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, and for the keeping of proper records, are set out in the 
Non-Departmental Public Bodies’ Accounting Officers’ Memorandum issued by the Treasury and published in ‘Government Accounting’.

Jenny Williams
Chief Executive and Accounting Officer
The Gambling Commission
23 June 2006

Statement of the Gambling Commission’s and Chief Executive’s responsibilities

The Gambling Commission is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Secretary of State for Culture, Media and Sport, with the consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the Commission’s state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year. As the Gambling Commission was not established until 1 October 2005 these accounts have been prepared for the period from 1 October 2005 to 31 March 2006.

In preparing the accounts the Gambling Commission is required to:

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> make judgements and estimates on a reasonable basis;

> state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and

> prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Commission will continue in operation.

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Jenny Williams
Chief Executive and Accounting Officer
The Gambling Commission
23 June 2006
Statement on internal control

1. Period of coverage
This Statement of Internal Control covers the first period of operation of the Gambling Commission (the Commission). The Commission, which was established in accordance with Part 2 of the Gambling Act 2005, assumed responsibility for the functions, rights and liabilities of the Gaming Board for Great Britain (the Board) with effect from 1 October 2005. The Board ceased operation on 30 September 2005.

2. Scope of responsibility
As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Gambling Commission’s policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

In undertaking this role, I report to the Chair of the Commission on a day-to-day basis, and to the Commissioners at their regular meetings. The Commission produces an annual report, including financial statements, which is presented to Parliament, setting out how the duties and responsibilities of the Commission have been fulfilled. I operate within the terms of the Management Statement and Financial Memorandum agreed with the Department for Culture, Media and Sport, and have regular meetings with officials to discuss issues relevant to the Commission’s functions.

3. The purpose of the system of internal control
The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Commission’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Gambling Commission for the six months from commencement until 31 March 2006 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

4. Capacity to handle risk
The Commission’s capacity to handle risk will, as it was for Gaming Board, be based upon, and the new systems and strategy are being designed around, a combination of key components: leadership; staff involvement; and the organisation structure. The responsibility for managing risk within the Commission rests with the senior management team continued to take responsibility for risk management as they did in the Gaming Board period, from commencement of the Commission until the Risk Management Committee was formed, the existing Commission, which was established in accordance with Part 2 of the Gambling Act 2005, assumed responsibility for the functions, rights and liabilities of the Gaming Board for Great Britain (the Board) with effect from 1 October 2005. The Board ceased operation on 30 September 2005.

The recently formed Risk Management Committee is comprised of senior management personnel who will provide the direction and resources with which to assess and manage risk in the Commission. In the interim period, from commencement of the Commission until the Risk Management Committee was formed, the existing senior management team continued to take responsibility for risk management as they did in the Gaming Board with particular reference to the risks connected with the transitional period and the office relocation to Birmingham. Senior managers involve staff in the risk assessment and management process through induction programmes, and the support of job roles and responsibilities through policy and procedures guides and specific training and development programmes. The guides and programmes assist in the identification and management of risk and related contingency planning.

A Risk Register will be maintained by the Risk Management Committee as it was previously by the senior management team in the Gaming Board, to record identified risks, and to monitor on a regular basis the outcome of the risk management strategies.
5. The risk and control framework

The Commission’s new risk management framework was implemented with effect from 1 October 2005. In developing the framework, account has been taken of the risk management process in place within the Gaming Board for Great Britain. This is particularly important, as the Commission, although being a new legal entity body, has assumed the existing functions, rights and liabilities of the Board. This approach has been aimed at ensuring continuity of the risk management process and the system of internal control. The risk management process will continue to focus on the specific risks associated with the transition process and will also recognise risks identified as arising within the new organisation.

The risk and control framework for the Commission is in the process of being implemented as the new management team becomes familiar with the organisation and takes over responsibility from the staff of the Gaming Board. The risk and control framework of the Commission comprises the following key elements:

- A Risk Management Committee – This recently formed Committee, which met for the first time in May 2006, has assumed the existing functions, rights and liabilities of the Board. This approach has been aimed at ensuring continuity of the risk management process and the system of internal control. The risk management process will continue to focus on the specific risks associated with the transition process and will also recognise risks identified as arising within the new organisation.
- A Risk Management Strategy and Framework – The Risk Management Strategy for the Commission outlines the objectives, and policies directed towards managing risk, including the organisation’s tolerance for risk, and the Framework sets out the process for identifying and recording risk, allocating ownership of risk, evaluating risk, determining responses to risk, and monitoring and reporting on progress in managing risk. A Risk Register is used to assist the risk management process; and
- An Internal Audit Programme – The internal audit programme has, as its focus, the requirement to provide an appropriate response.

The risk and control framework for the Commission comprises the following key elements:

1. An Initial Audit Programme – The initial audit programme has been designed to familiarise the management team with the risk management process and the system of internal control. The risk management process continued to be the responsibility of the senior management team as it was for the Gaming Board.
2. The risk and control framework continues to be the responsibility of the Commission’s management team and the Audit Committee. However, in the interim period, from commencement of the Commission, the risk management process continued to be the responsibility of the senior management team as it was for the Gaming Board.

3. A Risk Management Committee – This recently formed Committee, which met for the first time in May 2006, has assumed the existing functions, rights and liabilities of the Board. This approach has been aimed at ensuring continuity of the risk management process and the system of internal control. The risk management process will continue to focus on the specific risks associated with the transition process and will also recognise risks identified as arising within the new organisation.

4. A Risk Management Strategy and Framework – The Risk Management Strategy for the Commission outlines the objectives, and policies directed towards managing risk, including the organisation’s tolerance for risk, and the Framework sets out the process for identifying and recording risk, allocating ownership of risk, evaluating risk, determining responses to risk, and monitoring and reporting on progress in managing risk. A Risk Register is used to assist the risk management process; and

5. The risk and control framework
6. Review of effectiveness
As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Commission who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board of Commissioners, the Audit Committee, and the Commission’s senior management team and a plan to address weaknesses and ensure continuous improvement of the system is in place.

More specifically, the maintenance and review of the effectiveness of the system of internal control within the Commission is achieved through the co-ordination of the control and governance functions of the following organisation components:

- The Board of Commissioners – The Commissioners, who have been appointed by the Secretary of State, meet at least four times each year to review the annual reports submitted by the internal and external audit teams, to monitor progress towards resolution of any internal and external audit recommendations, and to oversee the functions of the Commission’s Risk Management Committee.
- The Audit Committee – The Committee, which is an advisory committee of the Board of Commissioners, meets at least four times each year to consider the annual reports of the Commission and to review the findings and recommendations of the external auditors.
- The Risk Management Committee – The Committee, whose membership is comprised of the senior management team and the newly formed Risk Management Committee, is responsible for identifying and addressing risks to the Commission’s objectives.

The Risk Management Strategy and Framework was agreed and two workshops were held, the first attended by senior managers in January and the second by Commissioners in March, to identify and agree the key risks for the new organisation. During this initial period of operation the senior management team continued to keep under review those risks previously identified by the Gaming Board for Great Britain and which remained relevant to the new organisation. During this initial period of operation the senior management team continued to keep under review those risks previously identified by the Gaming Board for Great Britain and which remained relevant to the new organisation.

The Board of Commissioners is responsible for ensuring that systems and processes are in place to prevent or detect and correct errors in business processes and activities that may have a material effect on the Commission’s financial statements. The Board of Commissioners exercises its duties in accordance with the standards defined in the government’s Internal Audit Manual. The Head of the Internal Audit function provides an independent opinion on the adequacy and effectiveness of the Commission’s system of internal control together with recommendations for improvement.

There were no significant internal control problems to report during the period covered by this statement and annual report.
The Certificate of the Comptroller and Auditor General to the Houses of Parliament

Respective responsibilities of the Gambling Commission, Chief Executive and auditor.

I have audited the financial statements of the Gambling Commission for the six months ended 31 March 2006. These comprise the Income and Expenditure Account, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out in them.

The Gambling Commission's Chief Executive is responsible for preparing the Annual Report and the financial statements, including those financial statements included within the Remuneration Report. The Chief Executive is responsible for ensuring that the financial statements comply with the Companies Act 2006. The Chief Executive is also responsible for ensuring the Integrity of the financial statements.

I have read the other information contained in the Annual Report and consider whether it is consistent with the financial statements. These other information comprises only Chapters 1 to 9 and Appendices I, II, IV and V. The financial statements are prepared in accordance with International Financial Reporting Standards. I report if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

The other information comprises only Chapters 1 to 9 and Appendices I, II, IV and V. The financial statements are prepared in accordance with International Financial Reporting Standards. I consider the implications for my audit of the other information contained in the Annual Report and whether it is consistent with the financial statements.

The Gambling Commission is responsible for preparing the Annual Report and the financial statements in accordance with the Gambling Act 2005 and the Secretary of State's directions made thereunder. I have also reported whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Gambling Act 2005 and the Secretary of State's directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Gambling Commission and Chief Executive's Responsibilities.

The Gambling Commission and Chief Executive are responsible for preparing the Annual Report, the Remuneration Report, the Statements in the Annual Report and the financial statements in accordance with the Gambling Act 2005 and the Secretary of State's directions made thereunder. These statements include information specified by relevant authorities regarding remuneration and other transactions. These responsibilities are set out in the Statement of the Gambling Commission and Chief Executive's Responsibilities.

I review whether the statement on pages 84 to 86 reflects the Gambling Commission's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Gambling Commission's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the financial statements, in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).
Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Gambling Commission and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Gambling Commission’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion

> The financial statements give a true and fair view, in accordance with the Gambling Act 2005 and directions made thereunder by the Secretary of State for Culture, Media, and Sport, of the state of the Gambling Commission’s affairs as at 31 March 2006 and of its deficit for the period then ended;

> The financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Gambling Act 2005 and directions made thereunder; and

> In all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn

Comptroller and Auditor General

27 June 2006

London SW1P 5ST
Victoria
157-197 Buckingham Palace Road
National Audit Office
Comptroller and Auditor General


Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Gambling Commission and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Gambling Commission’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion

> The financial statements give a true and fair view, in accordance with the Gambling Act 2005 and directions made thereunder by the Secretary of State for Culture, Media, and Sport, of the state of the Gambling Commission’s affairs as at 31 March 2006 and of its deficit for the period then ended;

> The financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Gambling Act 2005 and directions made thereunder; and

> In all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn

Comptroller and Auditor General

27 June 2006

London SW1P 5ST
Victoria
157-197 Buckingham Palace Road
National Audit Office
Comptroller and Auditor General


Appendix III

The Gambling Commission
The Gambling Commission  Appendix III  89

Income and expenditure account
for the six months ended 31 March 2006

Income
Grant-in-aid 2 5,295
Other income 6 195
Total income 5,490

Expenditure
Staff costs 7 (2,069)
Other operating costs 8 (3,687)
Depreciation 9 (8)
Total expenditure (5,764)

Operating (deficit) (245)

Interest receivable 3
Interest cost on pensions 7 (6)
Notional capital charges 7 (7)
(Deficit) on ordinary activities (274)
Write back notional capital charges 7
Retention (deficit)/surplus for the year (267)

Movement on income and expenditure reserve
Accumulated (deficit) brought forward (65)
Retained (deficit)/surplus for the year (267)
Adjustment on pensions 7 (47)
Accumulated (deficit) carried forward 14 (379)

All operations are continuing.

The notes on pages 91 to 101 form part of these accounts.

Statement of total recognised gains and losses
for the six months ended 31 March 2006

Notes 2006
(6 months) (£000)

Income
Grant-in-aid 2 5,295
Other income 6 195
Total income 5,490

Expenditure
Staff costs 7 (2,069)
Other operating costs 8 (3,687)
Depreciation 9 (8)
Total expenditure (5,764)

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Interest receivable 3
Interest cost on pensions 7 (6)
Notional capital charges 7 (7)
(Deficit) on ordinary activities (274)
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Accumulated (deficit) brought forward (65)
Retained (deficit)/surplus for the year (267)
Adjustment on pensions 7 (47)
Accumulated (deficit) carried forward 14 (379)

All operations are continuing.

The notes on pages 91 to 101 form part of these accounts.

The Gambling Commission  Appendix III  89
Balance sheet
as at 31 March 2006

<table>
<thead>
<tr>
<th>Notes</th>
<th>2006 (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td></td>
</tr>
<tr>
<td>Tangible assets</td>
<td>9 398</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
</tr>
<tr>
<td>Debtors and prepayments</td>
<td>10 130</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td>17 1,889</td>
</tr>
<tr>
<td>Total current assets</td>
<td>2,019 (1,736)</td>
</tr>
<tr>
<td>Net current assets</td>
<td>283</td>
</tr>
<tr>
<td>Net assets excluding pension liability and other provisions</td>
<td>681</td>
</tr>
<tr>
<td>Pension liability</td>
<td>12 (232)</td>
</tr>
<tr>
<td>Other provisions</td>
<td>13 (14)</td>
</tr>
<tr>
<td>Net assets including pension liability and other provisions</td>
<td>435</td>
</tr>
</tbody>
</table>

Capital and reserves
Reserves | 14 814 |
Income and expenditure reserve | 14 (379) |
Total capital and reserves | 435 |

The notes on pages 91 to 101 form part of these accounts.

Jenny Williams
Chief Executive and Accounting Officer
The Gambling Commission
23 June 2006

Cash flow statement
for the six months ended 31 March 2006

<table>
<thead>
<tr>
<th>Notes</th>
<th>2006 (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash inflow from operating activities</td>
<td>16 798</td>
</tr>
<tr>
<td>Returns on investment and servicing of finance</td>
<td></td>
</tr>
<tr>
<td>Interest received</td>
<td>13</td>
</tr>
<tr>
<td>Investing activities</td>
<td>9 (386)</td>
</tr>
<tr>
<td>Net cash inflow before financing</td>
<td>425</td>
</tr>
<tr>
<td>Financing</td>
<td></td>
</tr>
<tr>
<td>Grant-in-aid for capital expenditure</td>
<td>386</td>
</tr>
<tr>
<td>Fee income received</td>
<td>4 1,314 (1,191)</td>
</tr>
<tr>
<td>Less Fees appropriated to DCMS</td>
<td></td>
</tr>
<tr>
<td>Increase in cash</td>
<td>17 934</td>
</tr>
</tbody>
</table>

The notes on pages 91 to 101 form part of these accounts.

The Gambling Commission
1 Accounting policies

a) Accounting conventions
These are the first set of accounts for the Gambling Commission (the Commission) covering the six months from 1 October 2005 to 31 March 2006. They have been prepared in a form directed by the Secretary of State for Culture, Media, and Sport with the approval of the Treasury, in accordance with Schedule 4 of the Gambling Act 2005. A copy of the accounts direction can be obtained from the head office of the Gambling Commission.

As the Commission is a new entity no comparative figures are shown.

The policies adopted follow generally accepted accounting practice (GAAP) in the UK, to the extent it is meaningful and appropriate in the public sector context, in line with the guidance given by the government’s Financial Reporting Manual. The accounts meet the accounting and disclosure requirements of the Companies Act 1985 (as amended by the Companies Act 1989) and accounting standards issued or adopted by the Accounting Standards Board to the extent that they are appropriate. The accounts have been prepared using the historical cost convention modified by the inclusion of fixed assets at current cost.

The Gambling Act 2005 provided for the creation of the Gambling Commission which commenced operations on 1 October 2005. At the date of commencement the Gambling Commission, by virtue of section 21 (2) of the Gambling Act 2005, assumed responsibility for the functions, rights and liabilities of the Gaming Board for Great Britain which ceased to exist on 30 September 2005. Accordingly, the closing balances of the Gaming Board have been brought into the accounts of the Gambling Commission.

b) Fixed assets
Tangible fixed assets are capitalised when the original purchase price is £2,500 or more. The value of fixed assets transferred from the Gaming Board to the Gambling Commission on 1 October 2005 under the provisions of the Gambling Act 2005 have been stated at the value shown in the Gaming Board’s final accounts to 30 September 2005.

Depreciation
Depreciation is provided on all assets on a straight line basis to write off the cost or valuation evenly over the asset’s currently anticipated life as follows:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer equipment</td>
<td>3 to 7 years</td>
</tr>
<tr>
<td>Office equipment</td>
<td>3 to 10 years</td>
</tr>
<tr>
<td>Furniture</td>
<td>7 to 10 years</td>
</tr>
<tr>
<td>Telecoms</td>
<td>3 to 10 years</td>
</tr>
</tbody>
</table>

Depreciation is charged in full in the month of acquisition, with no charge being made in the month of disposal.

Notes to the accounts

1 Accounting policies

Notes to the accounts
Revaluation
In order to disclose fixed assets in the Balance Sheet by reference to current costs, the appropriate index is applied to each asset (Source: Office of National Statistics Price Index Numbers for Current Cost Accounting) unless the effect of revaluing assets in a particular year would make no material difference to the results for that year. Permanent diminution in the value of fixed assets is charged to the Income and Expenditure Account. Assets are not revalued in their year of acquisition as their current and historical cost would not be materially different.

c) Deferred Government Grant Reserve
A proportion of the grant-in-aid received, equal to expenditure on fixed asset acquisitions in the period, is taken to the Deferred Government Grant Reserve at the end of the financial year. The amount deferred is released back to the Income and Expenditure Account in line with depreciation charged.

d) Notional capital charges
In accordance with Treasury guidance, a notional charge for the cost of capital employed in the period is included in the Income and Expenditure Account along with an equivalent reversing entry below operating surplus. The charge for the period is calculated using the Treasury's discount rate of 3.5% applied to the mean value of capital employed during the period.

e) Pension costs
Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded and contributory. The Commission recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accrual basis.

Liability for payment of future benefits is a charge on the PCSPS.

The current Chairman of the Commission and former Chairmen of the Gaming Board are covered by a pension scheme which is 'by-analogy' with the PCSPS. The Commission makes payments to the former Chairmen as they are due. However the expected cost of providing the pension is recognised over the period which the Commission benefits from the Chairman’s services through the building up of a provision for the future liability calculated using actuarially assessed assumptions.

f) Operating leases
Payments made under operating leases on Land and Buildings and Equipment are charged to expenditure as incurred.

g) Value added tax

Payments made under operating leases on Land and Buildings and Equipment are charged to expenditure as incurred.

h) Licence fee receipts
The Gambling Commission collects licence fee income on behalf of the Department for Culture, Media and Sport and passes on this income in full to the Department. The licence fee receipts are not legally the assets of the Commission. The Gambling Commission is separately funded by a Grant-in-Aid from the Department. Therefore, because the licence fee receipts are not legally the assets of the Gambling Commission they are excluded from the Income and Expenditure Account. The fees charged are set by the Secretary of State for Culture, Media and Sport.

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2 Grant-in-aid

Gambling Commission operations
Grant drawn from DCMS for operational purposes
– Resource 2,871
– Capital 796
plus Release of Deferred Government Grant Reserve in respect of depreciation charged 8
less Transfer to Deferred Government Grant Reserve in respect of fixed asset acquisitions (386)
less Unused portion of capital grant drawn transferred to Deferred Government Grant Reserve (410)
Total Gaming Board operations 2,879

Gambling Commission transition
Grant drawn from DCMS for transition purposes
– Resource 2,416
Total transition 2,416
Total grant-in-aid 5,295

During the six months ended 31 March 2006 a total of £796,000 capital grant was drawn to cover spending on work associated with setting up new systems for the Commission and also for the relocation of the offices to Birmingham. However, due to unexpected changes in the timing of some of the work, only £386,000 had been spent at the financial year end. The balance remaining unspent has been transferred to Deferred Government Grant reserve to meet the costs of the remainder of the work planned for the period to 31 March 2006.

3 Transition team

A Transition Team was established in 2003/04 with a separate allocation of grant-in-aid in order to fund the activities necessary to plan the transition to the Gambling Commission. The transition activity, which has continued since then, is explained in more detail in the Annual Report. A summary of the transition team income and expenditure follows:

<table>
<thead>
<tr>
<th>Notes</th>
<th>Total grant-in-aid</th>
<th>(£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Grant-in-aid</td>
<td>2,416</td>
</tr>
<tr>
<td></td>
<td>Expenditure</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Staff costs</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Other operating costs</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Depreciation</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,416</td>
</tr>
</tbody>
</table>

The Gambling Commission Appendix III | 93
4 Fee receipts

Fees are received in respect of certificates and registrations and these monies are paid over to DCMS for appropriation in aid of the DCMS. Receipts in the period are as follows:

<table>
<thead>
<tr>
<th>Section 19 certificates</th>
<th>325</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 27 certificates</td>
<td>348</td>
</tr>
<tr>
<td>Certificates of Consent</td>
<td></td>
</tr>
<tr>
<td>– Bingo</td>
<td>89</td>
</tr>
<tr>
<td>– Casino</td>
<td>205</td>
</tr>
<tr>
<td>Multiple Bingo</td>
<td></td>
</tr>
<tr>
<td>Total Gaming</td>
<td>967</td>
</tr>
<tr>
<td>Lotteries and Amusements Act</td>
<td>343</td>
</tr>
</tbody>
</table>

| Total fee income        | 1,310 |
| Interest on fee income  | 4     |
| Total                  | 1,314 |

The Commission collects its fee income on behalf of the DCMS, and surrenders the receipts in full to DCMS. As a result, the income from fees, and related payments to DCMS, are not included in the Commission's Income and Expenditure Account. Any outstanding balance due to DCMS at the end of the financial year is included in the Balance Sheet within 'Other Creditors'. At 31 March 2006, the balance due to DCMS was £295,083 after appropriations of £1,191,027.

5 Criminal Records Bureau

The Commission is registered with the Criminal Records Bureau (CRB) to obtain disclosures, where necessary, on individuals making application for certificates with the Commission. The CRB charge a fee for this work, currently £34 per application, which is invoiced to the Gambling Commission. The Commission therefore has to collect the relevant fees from applicants and hold them, pending a request for payment from the CRB. The income and expenditure arising from the CRB services are included within the operating income and expenditure respectively. The recovery of CRB fees is disclosed in Note 6.

6 Other income

<table>
<thead>
<tr>
<th>2006 (6 months) (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Landlord contribution to works on new offices at Victoria Square House, Birmingham</td>
</tr>
<tr>
<td>Recovery of CRB fees</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

The recovery of CRB fees is disclosed in Note 6.
7 Staff costs

a) Analysis of staff costs

<table>
<thead>
<tr>
<th>Operation Costs</th>
<th>Transition Costs</th>
<th>Total Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2006</strong> (6 months) (£000)</td>
<td><strong>2006</strong> (6 months) (£000)</td>
<td><strong>2006</strong> (6 months) (£000)</td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>1,415</td>
<td>243</td>
</tr>
<tr>
<td>Social Security costs</td>
<td>128</td>
<td>24</td>
</tr>
<tr>
<td>Other pension costs</td>
<td>220</td>
<td>39</td>
</tr>
<tr>
<td>Total staff costs</td>
<td>1,816</td>
<td>306</td>
</tr>
</tbody>
</table>

The above analysis comprises the following figures from the Income and Expenditure statement:

<table>
<thead>
<tr>
<th>Operation Costs</th>
<th>Transition Costs</th>
<th>Total Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2006</strong> (6 months) (£000)</td>
<td><strong>2006</strong> (6 months) (£000)</td>
<td><strong>2006</strong> (6 months) (£000)</td>
</tr>
<tr>
<td>Staff costs</td>
<td>1,763</td>
<td>306</td>
</tr>
<tr>
<td>Interest costs on pensions</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Adjustments on pensions</td>
<td>47</td>
<td>47</td>
</tr>
<tr>
<td>Total</td>
<td>1,816</td>
<td>306</td>
</tr>
</tbody>
</table>

b) Retirement benefits

The following disclosures are made in accordance with FRS 17, ‘Retirement Benefits’.

(i) Staff

The Commission provides pension benefits for permanent staff under the Principal Civil Service Pension Scheme (PCSPS). This is a contributory, unfunded multi-employer defined benefit scheme and the Gambling Commission is unable to identify its share of the underlying assets and liabilities. The scheme actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For the six months ending 31 March 2006, employer contributions of £258,229 were payable to the PCSPS at one of four rates in the range 16.2% to 24.6% of pensionable pay, based on salary bands (the rates in 2004/05 were between 12% and 18.5%). The scheme actuary reviews employer contributions every four years following a full scheme valuation. From 2006/07 the salary bands will be revised and the rates will be in a range between 17.1% and 25.5%. The contribution rates are set to meet the cost of the benefits accruing during 2005/06 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.
Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £12,183 were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £200, 0.8% of pensionable pay, were payable to the PCPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £333. No contributions were prepaid.

(ii) Chairman In addition to the above, pension benefits are provided to the current Chairman and three former chairmen under a defined benefit scheme which is broadly by analogy with the civil service classic scheme. There is no minimum retirement age and there are certain minor modifications to the standard civil service arrangements in respect of enhancements. The scheme is unfunded and there is no surplus or deficit. Benefits are paid as they fall due.

A full actuarial valuation of the scheme was carried out by the Government Actuary at 31 March 2004. The main financial assumptions used by the actuary in calculation of the liability for the scheme are as follows:

### Table

<table>
<thead>
<tr>
<th>31 March 2006</th>
<th>2006 (6 months) (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation assumption</td>
<td>2.5%</td>
</tr>
<tr>
<td>Rate on increase in salaries</td>
<td>4.0%</td>
</tr>
<tr>
<td>Rate of increase for pensions in payment, in line with price inflation</td>
<td>2.5%</td>
</tr>
<tr>
<td>Discount rate for scheme liabilities</td>
<td>5.4%</td>
</tr>
</tbody>
</table>

The present value of the scheme liability at 31 March 2006 is £232,500.

### Analysis of amount charged to other finance costs:

- Current service cost: 11
- Interest on pension scheme liabilities: 6
- Actuarial (loss): 4
- Overnight increase in liability (change on return): (51)
- Total (loss) recognised in STRGL: (47)

The change in opening liability with effect from 1 October 2005 reflects the impact of a change of contract for the Chairman on transfer from the Gaming Board for Great Britain. The estimated cost of accruing for the liability in respect of the current Chairman at 31 March 2006 is equivalent to 19.7% of his actual total salary.
7 Staff costs continued

c) Average number of persons employed by the Gambling Commission was:

<table>
<thead>
<tr>
<th>Year</th>
<th>Staff</th>
<th>Agency</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>71</td>
<td>17</td>
<td>88</td>
</tr>
<tr>
<td>2006</td>
<td>13</td>
<td>1</td>
<td>14</td>
</tr>
<tr>
<td>2006</td>
<td>84</td>
<td>18</td>
<td>102</td>
</tr>
</tbody>
</table>

8 Other operating costs

<table>
<thead>
<tr>
<th>Year</th>
<th>Operations (£000)</th>
<th>Transition (£000)</th>
<th>Total (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006 (6 months)</td>
<td>1,579</td>
<td>2,108</td>
<td>3,687</td>
</tr>
</tbody>
</table>

- **Accommodation**: 543 / 78 / 621
- **Professional & accountancy fees**: 105 / 1,546 / 1,651
- **Travelling and subsistence**: 179 / 10 / 189
- **Agency and other staff costs**: 340 / 170 / 510
- **Recruitment, training and development**: 49 / 267 / 316
- **Hospitality**: 9 / 1 / 10
- **Office services**: 242 / 21 / 263
- **External audit fee**: 15 / 2 / 17
- **Internal audit costs**: 5 / 1 / 6
- **Amounts payable to CRB**: 48 / - / 48
- **Total Operating Costs**: 1,579 / 2,108 / 3,687

**The external audit fee represents the cost for the audit of the financial statements carried out by the Comptroller and Auditor General. This amount does not include fees in respect of non-audit work and no such work was undertaken.**

Included within operating costs are payments made by the Commission during the year under operating leases. These may be analysed as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Operations (£000)</th>
<th>Total (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>1,579</td>
<td>3,687</td>
</tr>
<tr>
<td>2006</td>
<td>2,108</td>
<td>3,687</td>
</tr>
<tr>
<td>2006</td>
<td>3,687</td>
<td>3,687</td>
</tr>
</tbody>
</table>

- **Land and buildings**: 375
- **Other**: 2
- **Total**: 377

---

The Gambling Commission  Appendix III | 97
### 9 Tangible fixed assets

<table>
<thead>
<tr>
<th>Information Technology (£000)</th>
<th>Fixtures &amp; Fittings (£000)</th>
<th>Furniture &amp; Office Equipment (£000)</th>
<th>Telecoms (£000)</th>
<th>Total (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost/Valuation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 October 2005</td>
<td>27</td>
<td>21</td>
<td>19</td>
<td>67</td>
</tr>
<tr>
<td>Revaluations</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Additions</td>
<td>160</td>
<td>226</td>
<td>–</td>
<td>386</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>At 31 March 2006</td>
<td>187</td>
<td>226</td>
<td>21</td>
<td>453</td>
</tr>
<tr>
<td><strong>Accumulated depreciation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 October 2005</td>
<td>25</td>
<td>–</td>
<td>12</td>
<td>47</td>
</tr>
<tr>
<td>Revaluations</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Provided in year</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>At 31 March 2006</td>
<td>29</td>
<td>2</td>
<td>11</td>
<td>35</td>
</tr>
<tr>
<td><strong>Net book value at 31 March 2006</strong></td>
<td>158</td>
<td>224</td>
<td>10</td>
<td>398</td>
</tr>
<tr>
<td><strong>Net book value at 30 September 2005</strong></td>
<td>2</td>
<td>11</td>
<td>7</td>
<td>20</td>
</tr>
</tbody>
</table>

The fixed assets held at 1 October 2005 are those which belonged to the Gaming Board for Great Britain and which were transferred to the Gambling Commission under the provisions of the Gambling Act 2005 when the Board ceased operations on 30 September 2005.

### 10 Debtors

| Staff season ticket loans and expense imprests | 29          |
| Bank interest accrued                     | 3           |
| Other debtors                              | 6           |
| Prepayments                                | 92          |
| **Total**                                  | **130**     |

### 11 Creditors (amounts falling due within one year)

| Trade creditors                           | 225         |
| Payroll                                   | 206         |
| Other creditors                           | 316         |
| Bank overdraft                            | 4           |
| Accruals                                  | 985         |
| **Total**                                  | **1,736**   |

The bank overdraft represents cheques which were unpresented at balance date. There was no actual overdraft on the bank account at 31 March 2006.
12 Pension liability

This provision recognises the accruing pension liability for the current Chairman of the Gambling Commission, together with payments due in respect of three former chairmen of the Gaming Board. The adjustment to the opening liability reflects the impact of a change of contract for the Chairman on transfer from the Gaming Board for Great Britain.

| (£000) |
|---|---|
| At 30 September 2005 | 173 |
| Adjustment to opening balance | 53 |
| Adjusted actuarial valuation at 1 October 2005 | 224 |
| Current service cost | 11 |
| Interest cost | 6 |
| Actuarial loss in the period | (4) |
| Paid in year | (5) |
| **At 31 March 2006** | **232** |

13 Other provisions

This provision recognises a liability in respect of redundancy payments arising on closure of the London offices of the Gambling Commission. The liability has arisen as a result of the relocation of the Gambling Commission offices to Birmingham and is due to be paid by the end of June 2006.

| (£000) |
|---|---|
| At 1 October 2005 | – |
| Provided in period | 14 |
| **At 31 March 2006** | **14** |

14 Reserves

<table>
<thead>
<tr>
<th>Income &amp; Expenditure Reserve (£000)</th>
<th>Deferred Government Grant Reserve (£000)</th>
<th>Total (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At 1 October 2005</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deficit for year</td>
<td>(65)</td>
<td>26</td>
</tr>
<tr>
<td>(267)</td>
<td>–</td>
<td>(267)</td>
</tr>
<tr>
<td>Adjustment on pensions</td>
<td>332</td>
<td>26</td>
</tr>
<tr>
<td>Grant deferred for capital purchases</td>
<td>(47)</td>
<td>–</td>
</tr>
<tr>
<td>Release for depreciation</td>
<td>–</td>
<td>796</td>
</tr>
<tr>
<td><strong>At 31 March 2006</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(379)</td>
<td>814</td>
<td>435</td>
</tr>
</tbody>
</table>
Notes to the accounts continued

15 Impact of pension liability on income and expenditure reserve

<table>
<thead>
<tr>
<th>Notes</th>
<th>Income and expenditure reserve excluding pension liability</th>
<th>Pension liability</th>
<th>Income and expenditure reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td>147</td>
<td>(147)</td>
<td>12</td>
<td>14</td>
</tr>
<tr>
<td>232</td>
<td></td>
<td></td>
<td>379</td>
</tr>
</tbody>
</table>

16 Reconciliation of operating (deficit) to the net cash inflow from operating activities

<table>
<thead>
<tr>
<th>Notes</th>
<th>2006 (6 months) (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Operating (deficit)</td>
</tr>
<tr>
<td></td>
<td>Depreciation provided in year</td>
</tr>
<tr>
<td></td>
<td>Release of deferred government grant</td>
</tr>
<tr>
<td></td>
<td>Transfer to deferred government grant reserve</td>
</tr>
<tr>
<td></td>
<td>Increase in provision relating to operating activities</td>
</tr>
<tr>
<td></td>
<td>(Increase) in debtors relating to operating activities</td>
</tr>
<tr>
<td></td>
<td>Increase in creditors relating to operating activities</td>
</tr>
<tr>
<td></td>
<td>Net cash inflow from operating activities</td>
</tr>
</tbody>
</table>

17 Analysis of balances of cash as shown in the balance sheet

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 Sept 2005 (£000)</th>
<th>Cash flow (£000)</th>
<th>31 March 2006 (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cash at bank and in hand</td>
<td>1,059</td>
<td>830</td>
</tr>
<tr>
<td>11</td>
<td>Bank overdraft</td>
<td>(108)</td>
<td>104</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>951</td>
<td>934</td>
</tr>
</tbody>
</table>

18 Capital commitments

Capital commitments at 31 March 2006 amounted to £3,642,393 in respect of new IT systems and fit out costs for the new Gambling Commission offices in Birmingham.
19 Commitments under operating leases

At 31 March 2006, the Commission was committed to making the following payments under operating leases in the year to 31 March 2007.

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Land and buildings (£000)</td>
</tr>
<tr>
<td>Operating leases which expire:</td>
<td></td>
</tr>
<tr>
<td>Within one year</td>
<td>67</td>
</tr>
<tr>
<td>In the second to fifth years inclusive</td>
<td>–</td>
</tr>
<tr>
<td>Over five years</td>
<td>908</td>
</tr>
<tr>
<td></td>
<td>975</td>
</tr>
</tbody>
</table>

20 Related party transactions

The Gambling Commission is a Non-Departmental Public Body financed by grant-in-aid from the Department for Culture, Media and Sport.

The Department for Culture, Media and Sport is regarded as a related party. During the six months to 31 March 2006, the Gambling Commission has had various material transactions with DCMS, comprising largely grant-in-aid and appropriation of fee income. These transactions are shown in the Income and Expenditure Account and notes to the accounts.

During the period none of the Commissioners, members of key management staff or other related parties has undertaken any material transactions with the Gambling Commission.

21 Financial instruments

FRS 13 [Derivatives and Other Financial Instruments] requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. The Gambling Commission has no borrowings and relies entirely on departmental grants for its cash requirements. It is therefore not exposed to liquidity risks. It also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk.

The Commission has obtained consent from its sponsoring department to place surplus funds on bank deposit. It would also require consent from its sponsoring department prior to acquiring financial instruments or borrowings.

22 Contingencies

There are no contingent gains or losses to report in the six months to 31 March 2006.
## Appendix IV:
### Gaming and lotteries fees – 2006|07

**England, Wales and Scotland**
From 1 April 2006

<table>
<thead>
<tr>
<th>License Type</th>
<th>Fee Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Casinos licences</strong></td>
<td></td>
</tr>
<tr>
<td>New</td>
<td>Grant: £31,063, Renewal: £9,395, Transfer: £8,561</td>
</tr>
<tr>
<td><strong>Bingo licences</strong></td>
<td></td>
</tr>
<tr>
<td>New</td>
<td>Grant: £4,232, Renewal: £1,778, Transfer: £1,827</td>
</tr>
<tr>
<td><strong>Casino certificate of consent</strong></td>
<td></td>
</tr>
<tr>
<td>New licence</td>
<td>Grant: £8,938, Transfer of licence: £5,586</td>
</tr>
<tr>
<td><strong>Bingo certificate of consent</strong></td>
<td></td>
</tr>
<tr>
<td>New licence</td>
<td>Grant: £8,852, Transfer of licence: £5,901</td>
</tr>
<tr>
<td><strong>Certificate to organise games of multiple bingo</strong></td>
<td>Grant: £173,680, Renewal (for 3 years): £166,400</td>
</tr>
<tr>
<td><strong>Registration of club or institute</strong></td>
<td></td>
</tr>
<tr>
<td>Part II</td>
<td>Grant: £235, Renewal of registration: £120</td>
</tr>
<tr>
<td>Part III</td>
<td>Grant: £115, Renewal of registration: £70</td>
</tr>
<tr>
<td><strong>Employees certificate of approval (Section 19)</strong></td>
<td>Grant: £222, Transfer: £177, Renewal: £77</td>
</tr>
<tr>
<td><strong>Gaming machines</strong></td>
<td>Grant of certificate for the sale, supply or maintenance of gaming machines: £7,000, Renewal of certificate for the sale, supply or maintenance of gaming machines: £4,789</td>
</tr>
<tr>
<td><strong>Casino licences</strong></td>
<td></td>
</tr>
<tr>
<td>New</td>
<td>Grant: £100,000, Renewal: £31,300</td>
</tr>
<tr>
<td><strong>Crown employee certificate of approval (Section 19)</strong></td>
<td>Grant: £200, Renewal: £72,000</td>
</tr>
<tr>
<td><strong>Registration of club or institute</strong></td>
<td></td>
</tr>
<tr>
<td>Renewal of registration</td>
<td>£106</td>
</tr>
<tr>
<td><strong>Employees certificate of approval</strong></td>
<td></td>
</tr>
<tr>
<td>Transfer of licence</td>
<td>£85.25</td>
</tr>
<tr>
<td><strong>Gaming machines</strong></td>
<td>Grant of certificate for the sale, supply or maintenance of gaming machines: £7,000, Renewal of certificate for the sale, supply or maintenance of gaming machines: £4,789</td>
</tr>
<tr>
<td><strong>Casinos licenses</strong></td>
<td></td>
</tr>
<tr>
<td>New</td>
<td>Grant: £100,000, Renewal: £31,300</td>
</tr>
</tbody>
</table>

Note: Fees are from 1 April 2006.
England, Wales and Scotland
From 1 April 2006

<table>
<thead>
<tr>
<th>New Lotteries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application for registration of society or local authority lottery scheme</td>
</tr>
<tr>
<td>Renewal of registration of society or local authority lottery scheme (three yearly)</td>
</tr>
<tr>
<td>Lottery with turnover (total value of tickets or chances sold) of:</td>
</tr>
<tr>
<td>£2,000 or less</td>
</tr>
<tr>
<td>More than £2,000 to £10,000</td>
</tr>
<tr>
<td>(no fee payable for eighth and subsequent lotteries in same calendar year)</td>
</tr>
<tr>
<td>More than £10,000 to £20,000</td>
</tr>
<tr>
<td>(no fee payable for eighth and subsequent lotteries in same calendar year)</td>
</tr>
<tr>
<td>More than £20,000 to £50,000</td>
</tr>
<tr>
<td>More than £50,000 to £200,000</td>
</tr>
<tr>
<td>More than £200,000</td>
</tr>
<tr>
<td>Application for certification as a lottery manager under Schedule 2A</td>
</tr>
<tr>
<td>Inspection of lottery return by member of the public</td>
</tr>
</tbody>
</table>

There are two circumstances in which fees are not chargeable to the public. These are:

(i) Lotteries with turnover of £2,000 or less;

(ii) The eighth and subsequent lotteries payable in the same calendar year is extended to those with a turnover of £20,000 or less (previously £10,000 or less). To qualify for this exemption, the first seven lotteries for which fees were paid will have been in one or both of two categories: those with a turnover of more than £2,000 to £10,000, and those with a turnover of more than £10,000 to £20,000.

The lotteries fees payable to local authorities are unchanged at £35 for registration and £17.50 for annual renewal of registration.
### Appendix V:

#### Casino permitted areas

**List of areas in which the licensing of clubs for gaming other than bingo is permitted showing the number of licenced clubs operating on 1 April 2005 and 31 March 2006**

<table>
<thead>
<tr>
<th>Area</th>
<th>01 April 05</th>
<th>31 March 06</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>England</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>That area which is within the area specified in the licensing (Metropolitan Special Hours Area) Order 1961 – plus the city of Westminster and the Royal Borough of Kensington and Chelsea</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>The areas of the Former County Boroughs, Non-County Boroughs and Urban Districts of:</td>
<td>01 April 05</td>
<td>31 March 06</td>
</tr>
<tr>
<td>Birkenhead</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Birmingham</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Blackpool</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Bolton</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Bournemouth</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Bradford</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Brighton</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Bristol</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Coventry</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Derby</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Dudley</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Great Yarmouth</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Hove</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Huddersfield</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Kingston-upon-Hull</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Leeds</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Leicester</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Liverpool</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Luton</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Lytham St Annes</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Manchester</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Margate</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Newcastle upon Tyne</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td><strong>Wales</strong></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>The Areas of the Former County Boroughs of:</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cardiff</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Swansea</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Scotland</strong></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>The Areas of the Former Counties of the Cities of:</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Aberdeen</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Dundee</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Edinburgh</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Glasgow</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>138</td>
<td>140</td>
</tr>
</tbody>
</table>

---

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