

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:

www.gamblingcommission.gov.uk

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**GAMBLING
COMMISSION**

Annual Report 2005|06

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LONDON: THE STATIONERY OFFICE

HC 1226
SE/2006/94

Report of the Gambling Commission 2005|06

Presented pursuant to Gambling Act 2005 para 16 of Schedule 4 incorporating the accounts of the Gaming Board for Great Britain for the period until 30 September 2005, presented pursuant to Gaming Act 1968 section 50

Ordered by the House of Commons to be printed 12 July 2006

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Ben Gunn, CBE, QPM
Bill Knight
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Gill Milburn, JP
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Eve Salomon
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The Gambling Commission

The gaming industry 2005|06

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

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Chairman's statement

Annual Report of the Gambling Commission

To: Her Majesty's Secretary of State for Culture, Media and Sport and Her Majesty's Secretary of State for Scotland and First Minister of Scotland

In pursuance of Section 50 of the Gaming Act 1968 and of paragraph 16 (1) of Schedule 4 to the Gambling Act 2005 I have the honour to present the first report of the Gambling Commission, covering the period 1 April 2005 to 31 March 2006.

The Gambling Commission came into existence on 1 October 2005 and from that date took over the duties and functions of the former Gaming Board for Great Britain. This Report therefore covers the activities of the last six months of the former entity and the first six months of the new.

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 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 already 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 Gaming Board.

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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Annual Report of the Gambling Commission

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The Department for Culture, Media and Sport and the Gambling Commission issued a joint statement in March 2006 giving formal guidance to advertisers, publishers and operators on what is and is not allowed under current legislation. The guidance makes clear that, where appropriate, breaches will be prosecuted. I would like to thank my fellow Commissioners and all the staff for their hard work and dedication over an extraordinarily busy and exciting period. Robert Lockwood retired as a Commissioner on 31 December 2005, having given valuable service for eight years. Incoming and outgoing staff have worked together with commitment and energy under the able leadership of Jenny Williams. As a result of their combined efforts our demanding transition plan is on track, so that we may with confidence look forward to full implementation next year of the new regime, meanwhile maintaining effective regulation under the old.

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-dates 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 these limits were being breached.

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 our approach will be proportionate: we will aim to ensure that the regulatory burden is no heavier than necessary to achieve our statutory purposes. The 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, to ensure that gambling is conducted fairly and openly 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 Gaming Board 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 (Chapter 2);
- > 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.

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 £53 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.

The Gambling Act 2005 and the Gambling Commission

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 Commission) and spread betting (regulated by the Financial Services Authority).

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< The Commission will monitor licence holders and levy fines or revoke licences as necessary, and it will have significant new legal powers to prosecute illegal gambling.

> In addition, the Commission is tasked with providing advice to both local and central government on issues related to gambling.

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 here without breaking any British laws. In contrast, betting sites can be located in Great Britain, where they are currently subject to no central regulation.

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, home access to the internet rose from a third to over a half of all households. In terms of gambling activity, just under 1% stated that they had placed bets whilst around 0.75% had played casino type games.

< Local authorities, rather than licensing justices as now, will be responsible for licensing gambling premises in England and Wales.

> A number of measures in the Act provide protection for children and vulnerable adults. It will be an offence to invite or permit a child or young person to gamble contrary to the Act's provisions. And socially responsible gambling will be promoted through licence conditions and codes of practice directed at those who provide gambling facilities.

> Businesses offering gambling in Great Britain will need to be licensed by the Commission. From January 2007 the Commission will accept applications for new operating licences from these businesses, and for personal licences required by certain categories of people working in the gambling industry.

< The Commission has been given wide discretion to apply licence conditions, both generally to all holders of a type of licence and to individual businesses. It will also regulate by issuing codes of practice. The codes and the licence conditions will be devised with a view to furthering the three licensing objectives.

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- > A number of measures in the Act provide protection for children and vulnerable adults. It will be an offence to invite or permit a child or young person to gamble contrary to the Act's provisions. And socially responsible gambling will be promoted through licence conditions and codes of practice directed at those who provide gambling facilities.
- > Some of the restraints currently applicable to commercial gambling (such as in relation to advertising) will be eased.
- > There will be three categories of casino – regional, large and small – defined in terms of such factors as minimum gambling and non-gambling areas and minimum number of gaming tables. Initially, there will be no more than one, eight and eight casinos in each category respectively. Existing casinos will, however, be able to continue to operate (see Chapter 3).
- > Remote gambling (i.e. online, by mobile phone, etc.) will be permitted, subject to licensing and regulation.
- > There will be four categories of gaming machines, defined by different levels of stakes and prizes, with the higher the category the more limited the locations in which the machines may be sited. Category A machines for example, with unlimited stakes and prizes, will be allowed only in the one regional casino.

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1 Introduction and general

continued

1.11 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 gaming via digital television raises complex issues about where and by whom the gaming is being organised and managed. As reported last year, Sky TV had prepared and agreed with the Commission a code for the guidance of those operating on its satellite broadcasting platform who wish to offer gaming products. During the year, Sky produced an updated policy to reflect both 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.

1.12 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, advertisements giving simple 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 that the advertisements being published by certain foreign-based internet gambling companies clearly 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 is not permitted under current legislation. The guidance also made clear that the Government would work with the Commission to refer cases to the Crown Prosecution Service where it was considered that advertisements were in breach of the legislation. A copy of the guidance is available on the Gambling Commission's website (www.gamblingcommission.gov.uk).

Problem gambling

1.13 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.

1.14 Given this potential for harm from gambling, the Commission welcomes the fact, as mentioned above, that protection of children and the 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 objective 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 informal interest in the matter.

1.15 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.

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Problem gambling

1.11 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 gaming via digital television raises complex issues about where and by whom the gaming is being organised and managed. As reported last year, Sky TV had prepared and agreed with the Commission a code for the guidance of those operating on its satellite broadcasting platform who wish to offer gaming products. During the year, Sky produced an updated policy to reflect both 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.

1.12 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, advertisements giving simple 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 that the advertisements being published by certain foreign-based internet gambling companies clearly 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 is not permitted under current legislation. The guidance also made clear that the Government would work with the Commission to refer cases to the Crown Prosecution Service where it was considered that advertisements were in breach of the legislation. A copy of the guidance is available on the Gambling Commission's website (www.gamblingcommission.gov.uk).

1 Introduction and general

continued

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:

- > raised £2.2 million in donations from the gambling industry;
- > made grants of £1.1 million to GamCare 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 a further £500,000, and commissioned six research projects in accordance with its agreed research strategy.

1.18 The Commission applauds 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 treatment of, education about and research into problem gambling. Contributing to the Trust will be one way in which operators can demonstrate their commitment.

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 new IT systems. For 2005/06 total operational costs of £10.2 million were incurred, split between the Gaming Board for the period to 30 September 2005, and the Gambling Commission in the period from 1 October 2005 to 31 March 2006. In addition, costs attributable to the transition process amounted to £4.2 million.

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 were 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.

Commission funding and fee levels

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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.

Commission's operations and performance targets

1.22 The names of the Commissioners, who are appointed by the Secretary of State for Culture, Media and Sport and include the Commission's Chief Executive, are given at the beginning of this Report. Brief biographical details are in Appendix II. Robert Lockwood retired as a Commissioner on 31 December 2005: the Commission is grateful to him for the contribution he made to its work during his term of office. 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

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

* 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).

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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 various statements both on the way it will be conducting its duties under the new Act and which provide guidance to (local) licensing authorities on their functions and duties under the 2005 Act.

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 respect of the administration of small society lotteries (4 April 2006); and
- > 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.

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 the South East. After careful analysis of several options the Commission resolved to establish its headquarters in Birmingham.

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

- > closed the Gaming Board's systems and accounts and replaced them with new Gambling Commission arrangements without disruption to licensees or the public;

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2 Implementation of the Gambling Act 2005

Gambling Prevalence Study

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.

> established a new Gambling Commission website – www.gamblingcommission.gov.uk – which contains more information than the Gaming Board site (which had not been invested in due to the expected creation of the Commission). This has also enabled licensees, the public and others to register interest in receiving email alerts from the Commission on transition and other issues. The Commission is continually striving to improve the flow of information on its work to the industry, media and wider public;

> closed the Gaming Board's London offices and in June 2006 relocated to new offices in Victoria Square House, Birmingham;

> recruited a new senior management team and the kernel of the larger operations directorate as well as Human Resources and Finance departments;

> trained the new operations staff in the certification and licensing work still necessary under the 1968 Gaming Act and 1976 Lotteries and Amusements Act and transferred that work to Victoria Square House;

> facilitated the relocation of those Gaming Board staff not moving to Birmingham to other jobs; and

> introduced a system whereby lotteries returns can be submitted electronically online (see paragraph 7.7).

2.7 At the time of going to press, the building of the Commission's IT systems was well advanced. These are being 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 to enable the industry to meet much of the regulatory information burden online with savings for them as well as the Commission.

2.8 All this work on transition has been undertaken with minimal disruption to the Commission's operations during a period when the work of regulating the casino, bingo, machines and lotteries sectors under the pre-2005 Act regime has continued as before.

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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

Company	No. of licensed casinos	Developments and changes during 2004/05
Stanley Leisure Group Plc	45 casinos (4 in London)	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
Rank Group Plc	44 casinos (6 in London)	New casinos in Dundee, Swansea, Warley, Reading, Birmingham, Aberdeen, Birkenhead and Stockton licensed but not yet trading
Gala Group	32 casinos (5 in London)	New casinos in Bristol and Derby licensed but not yet trading. Gala purchased Leo's Casino, Liverpool, in February 2006
London Clubs International Plc	12 casinos (5 in London)	New casinos in Manchester, Nottingham, Glasgow and Leeds and London licensed but not yet trading
A & S Leisure Group	6 casinos (1 in London)	
Aspinall's	3 casinos (1 in London)	New casino in Newcastle began trading in October 2005. New casino in Swansea licensed but not yet trading
Blue Chip Casinos Ltd	3 casinos (none in London)	
Clockfair Ltd	2 casinos (none in London)	New casino in Birmingham began trading in April 2005
Singleton Operators	17 casinos (4 in London) and 1 dedicated card club	Four singleton operators are licensed but not yet trading

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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.

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 re-structure 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.

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 34 were continuance applications. In addition, a further 58 applications for new certificates (of which 12 were for substitute or replacement premises) were received by the final date of 28 April 2006 for such applications. 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.

3.10 A further 31 continuance applications were received during the year following the purchase by Permira, a private equity firm, of a 28.59% stake in the Gala Group. These applications were outstanding at 31 March 2006.

3.6 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.

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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 casino licences. Three were from applicants wishing to move their casinos to substitute premises and four were from applicants wishing to make major alterations and extensions to existing premises. Of these applications two were withdrawn, 39 were approved during the year and 24 were outstanding at 31 March 2006.

3.9 The three transfer applications received during the year were outstanding at 31 March 2006. They followed Stanley's purchase of RJ Bown's three casinos, including the stake held in the Bristol casino by MGM (see paragraph 2.5 of the Gaming Board's 2003/04 report). Following rationalisation of its shareholdings in respect of these casinos, Stanley subsequently also submitted three continuance applications for them. All the applications in respect of this purchase were granted in April 2006.

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3 Casino gaming

continued

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 demand criterion remains a consideration for licensing authorities in deciding applications. The Commission will therefore in appropriate cases continue to produce 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.

3 Casino gaming

continued

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3.21 In recent years some casino operators have sought to improve their business by relocating their casinos to more attractive and larger premises. In the reporting period two new licences were granted in respect of applications to relocate existing casinos to new premises.

3.22 At 31 March 2006, there were 32 applications for new licences awaiting determination by licensing justices and boards, of which one was for substitute or extended premises.

3.23 As mentioned earlier, the final date for applications under the 1968 Act was 28 April 2006. Thus, at the end of April, the position in respect of casino licences under the 1968 Act was:

Ending 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

3.24 Paragraph 2.20 of last year's report said that only nine 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. Most certificate of consent applications for new casinos approved during 2005/06 were for premises with gaming areas well in excess of 5,000 square feet. They included three for new casinos in the 20,000 square foot range.

3.25 As mentioned in paragraph 3.2 above, only 17 new casinos in three categories will be permitted under the Gambling Act 2005. The DCMS has said that the minimum total customer area requirements for these categories will be as follows:

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)

3.26 Throughout the year, regular and constructive dialogue was maintained between the Commission's officials and representatives of the two 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 on biased roulette wheels, and money lending between casino customers.

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 certificate of consent hearings for applicants new to the industry (see paragraph 3.13 above). There were six such formal hearings during the year.

Gaming areas

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3 Casino gaming

continued

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 more 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 machines count towards the overall entitlement of 20 jackpot machines that a casino may now offer.

3.31 Over the years, the Gaming Board opposed 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 casinos may offer alcohol on the gaming floor and, in England and Wales, provide live entertainment, the Commission considers the restriction is no longer appropriate in every case. For example, a hotel may wish to offer residents access to its adjoining casino without forcing them to go out into the street. In future the Commission will not oppose casino entrances from other premises as long as certain criteria are met, including the casino having at least one entrance, which is demonstrably the main entrance, from a public thoroughfare and reception arrangements which ensure that all customers are properly screened to check their identity and age.

Gaming under section 21 of the 1968 Gaming Act

3.32 As reported previously, the industry has developed a type of machine gaming that can be operated under section 21 of the 1968 Act. The Commission and the DCMS have concerns about this type of gaming (see paragraphs 6.6 to 6.8). Section 21 machines can be sited in casinos without limits to numbers subject to controls on stakes and prizes of maxima of 50p per chance, £25 for any single cash prize and £500 for the aggregate value of all stakes and prizes in a single game. The Commission's advice to licensing authorities for 2006 makes it clear that automated gaming systems under section 21 of the Act can only be played during normal gaming hours and within the designated gaming area. When Part 10 of the 2005 Gambling Act is implemented, machines currently operating under section 21 of the 1968 Act will be subject to the same controls on numbers, stakes and prizes as any other type of gaming machine.

Casinos adjacent to bingo clubs

3.33 Last year's report (paragraph 2.26) mentioned certificate of consent applications for new casinos from a company operating both casinos and bingo clubs, utilising spare capacity in existing bingo premises. The joint bingo and casino premises share common services such as catering. During 2005/06 another bingo operator, seeking to enter the casino market, submitted a similar application. The Commission has no objection to casino and bingo clubs sharing a building provided that, in order to ensure there is no confusion between separate licensed gambling premises, there is no internal customer access from one club to the other and that there are separate entrances and membership.

Involvement 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:

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3 Casino gaming

continued

into effect in September 2007, the way will be open for the public to gamble on sites regulated by the Commission.

3.38 During the year, the Commission and DCMS became increasingly concerned with the proliferation 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 certificates 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 prosecution of a club operating without such a licence.

3.40 It is possible for a genuine social club to offer poker and other gaming as an ancillary amenity for its members on a non-profit making basis under Part II or Part IV of the 1968 Gaming Act. Guidance is available from the Commission's website.

3.41 The Commission is concerned about the growing trend towards poker games in pubs and is preparing appropriate guidance to licensing authorities, the pub trade and other interested parties. The 1968 Act provides for pubs to apply for permits for small scale gaming but there is a risk that such poker games could involve high stake gambling if not properly run within the parameters permitted by legislation.

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 adversely affected, competent and professional management operations and procedures need to be maintained, and in particular these need to be sufficient to prevent criminal activity, fraud or money laundering by employees or players.

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.

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 clubs with premises, and customers must attend the premises to game. The effect on the British gambling market of internet gaming sites based in overseas jurisdictions has continued to be monitored, and officials answer enquiries from companies who plan to offer gaming from offshore sites. Officials also receive telephone calls and emails from dissatisfied users of overseas gaming sites, who often wrongly believe the Commission has the authority to resolve their complaints.

3.37 The 1968 Act was not designed to cover modern developments in IT and telecommunications. However, deciding how old legislation relates to the latest developments in remote gambling will be resolved with the implementation of the relevant provisions of the Gambling Act 2005. These will enable the Commission to issue licences for remote gambling by such means as the internet, digital TV and mobile phones, thus allowing companies who wish to offer casino gaming by such means to establish their operations in Great Britain lawfully for the first time. When the Act comes

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into effect in September 2007, the way will be open for the public to gamble on sites regulated by the Commission.

3.38 During the year, the Commission and DCMS became increasingly concerned with the proliferation 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 certificates 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 prosecution of a club operating without such a licence.

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3 Casino gaming

continued

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 customers is not of itself illegal, and it is appreciated that informal money lending among friends is traditional in some cultural groups, 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 apply to substitute, for the 20 jackpot machines authorised under section 31 with prizes up to £4,000, a larger number of amusement with prizes machines, all to be used for smaller prizes (up to £25). At 31 March 2006, no casino held a section 32 direction.

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.]

Table 3b Gaming machines in casinos

As at 31 March	1998	1999	2000	2001	2002	2003	2004	2005	2006
Jackpot machines	612	582	795	814	841	894	976	1,009	1,941
Maximum prize machines included in above	N/A	297	326	367	N/A	116	289	607	1,124

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Money laundering controls in casinos

3 Casino gaming

continued

Region	2001/02	2002/03	2003/04	2004/05	2005/06
Scotland	1,061,326	1,047,473	1,030,190	1,027,236	1,158,226
North	3,373,741	3,477,461	3,461,770	3,590,577	4,258,144
Midlands & Wales	2,186,296	2,174,455	2,272,016	2,536,676	2,999,632
South	2,364,191	2,399,741	2,322,728	2,419,680	2,650,705
Sub-total	8,985,554	9,099,130	9,086,704	9,574,169	11,066,707
London	2,796,263	2,766,323	2,798,755	2,734,601	2,872,791
Great Britain Total	11,781,817	11,865,453	11,885,459	12,308,770	13,939,498

Table 3c Casino attendance by region: Number of visits

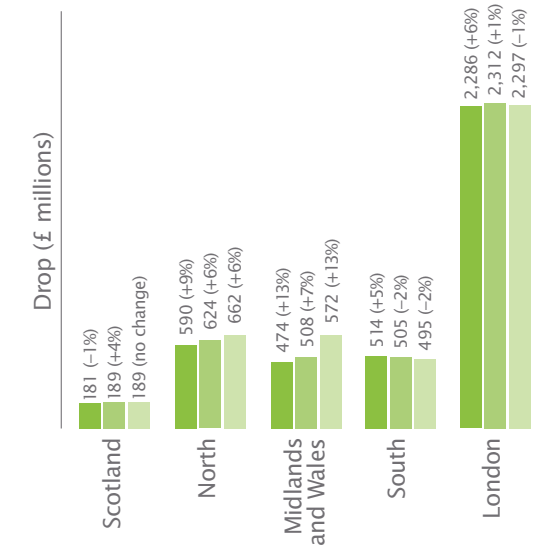
Financial performance

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.

A comprehensive picture is required, including machines income in venues such as pubs, clubs and bookmakers' premises, as well as casinos.

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.

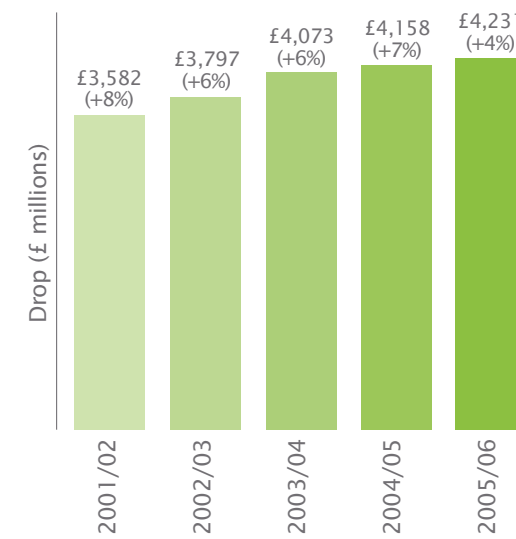
Chart 3e Drop per year by region (change from previous year in brackets)



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

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

Chart 3d Drop per year overall (change from previous year in brackets)



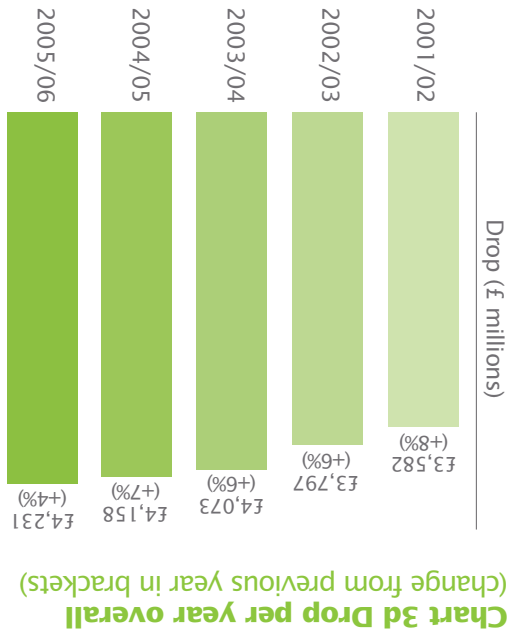
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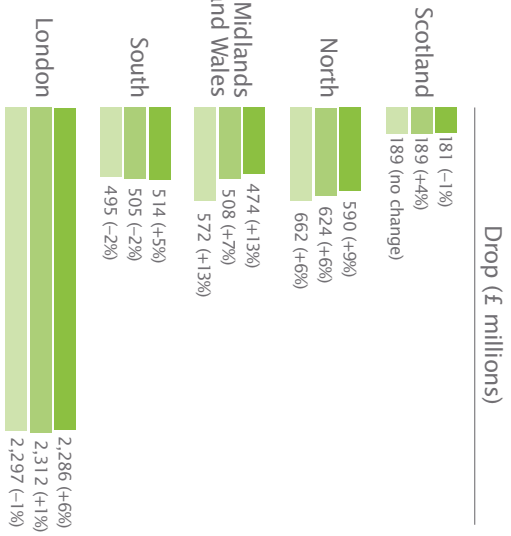
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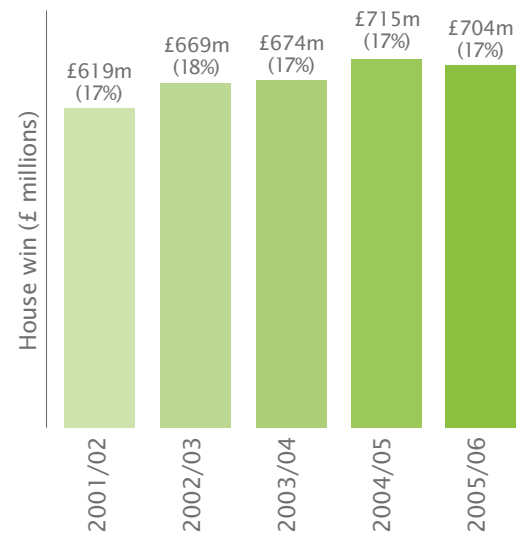


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3 Casino gaming continued

Chart 3g House win
(overall percentage of drop in brackets)



Note: Figures are rounded to the nearest £1 million, and percentage figures to the nearest whole percentage.

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

	2001/02	2002/03	2003/04	2004/05	2005/06
American roulette	64.6	56.7	52.3	51.9	50.4
Blackjack	16.5	16.4	17.9	17.2	18.7
Electronic roulette	3.3	8.7	11.7	13.9	15.0
Punto Banco (including Baccarat)	9.2	9.4	9.2	8.7	8.0
Three Card Poker	–	3.0	5.1	5.8	5.8
Casino Stud Poker	5.5	4.8	3.1	2.0	1.6
Craps	0.9	0.8	0.6	0.5	0.5
Big Six/Sic Bo	–	0.2	0.1	0.0	0.0
	100.0	100.0	100.0	100.0	100.0

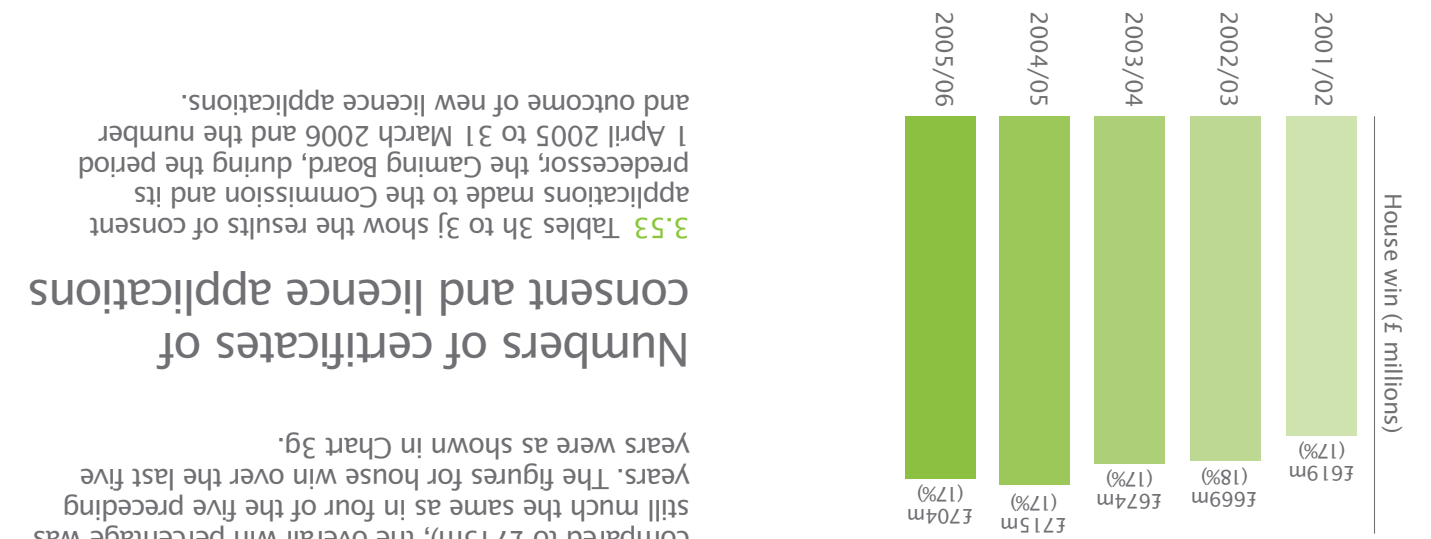
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3 Casino gaming continued

Table 3j Continuance of certificates of consent			
	England and Wales	Scotland	Total
Applications outstanding on 31 March 2005	40	4	44
New applications received in 2005/06	28	7	35
Total	68	11	79
Certificates issued	40	4	44
Applications withdrawn	–	–	–
Applications refused	–	–	–
Applications not determined by 31 March 2006	28	7	34
Total	68	11	79

Table 3i Certificates of consent to transfer a licence			
	England and Wales	Scotland	Total
Applications outstanding on 31 March 2005	3	–	3
New applications received in 2005/06	–	–	–
Total	3	–	3
Certificates issued	3	–	3
Applications withdrawn	–	–	–
Applications refused	–	–	–
Applications not determined by 31 March 2006	3	–	3
Total	3	–	3

Table 3h New certificates of consent			
	England and Wales	Scotland	Total
Applications outstanding on 31 March 2005	15	2	17
New applications received in 2005/06	56	11	67
Total	71	13	84
Certificates issued	41	11	52
Applications withdrawn	5	–	5
Applications refused	–	–	–
Applications not determined by 31 March 2006	25	2	27
Total	71	13	84

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Applications outstanding on 31 March 2005	40	4	44
New applications received in 2005/06	28	7	35
Total	68	11	79
Applications allowed	40	4	44
Applications withdrawn	–	–	–
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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 decided to surrender their Part II gaming licences and operate bingo under section 40 of the 1968 Act instead (see paragraph 4.22).

4.3 Gala Leisure, the dedicated bingo division of the Gala Group with 175 operating clubs, and Mecca Bingo Limited, a subsidiary of the Rank Group with 118 operating clubs, remained the major owners with a combined 45% share of all bingo clubs. Other multiple site operators include Top Ten Bingo (44 operating clubs), Bourne Leisure Limited (36 operating clubs), and Carlton Clubs plc (18 clubs). A further 16 bingo

companies held between four and 12 bingo licences; the remaining operating 178 bingo clubs were owned by singleton operators or in groups of fewer than four clubs. 73 clubs are in holiday parks, some of which operate purely on a seasonal basis.

Changes to the industry

4.4 A number of changes of ownership occurred during the reporting period, the most significant being Top Ten Bingo 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 into bingo operations, the latest instance of this being Alchemy Partners LLPs' 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)

	England and Wales	Scotland	Total
Holding Commission certificates at 31 March 2006	580 (601)	99 (99)	679 (700)
Holding gaming licences at 31 March 2006	582 (599)	95 (99)	677 (700)
Known to be operating at 31 March 2006	567 (586)	90 (92)	657 (678)

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Changes to the industry

Size and structure of the industry

Introduction

4 Licensed bingo

* 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.

Period	Amount staked in £million	Percentage change from previous year
April 2001 to March 2002	1,164	4.1
April 2002 to March 2003	1,222	5.0
April 2003 to March 2004	1,381*	*see note below
April 2004 to March 2005	1,777	*see note below
April 2005 to March 2006	1,826	2.8

Table 4b Amount staked on licensed bingo by year

4.8 Last year's Report commented on the growth in bingo clubs of electronic machine gaming played under section 21 of the Gaming Act 1968 (see also paragraphs 6.6 to 6.8 of this Report). The Commission has been monitoring developments in this sector and the result of a survey of bingo clubs during March 2006 showed that there were 1,556 section 21 terminals in operation, a major increase on the March 2005 figure (267).

Gaming under section 21 of the Gaming Act 1968

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 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) (Amendment) Regulations 2002).

Multiple bingo

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

Transparency of charges to play notices

4.9 Bingo clubs are required to display a charges to

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 hard 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.

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Gaming under section 21 of the Gaming Act 1968

4.8 Last year's Report commented on the growth in bingo clubs of electronic machine gaming played under section 21 of the Gaming Act 1968 (see also paragraphs 6.6 to 6.8 of this Report). The Commission has been monitoring developments in this sector and the result of a survey of bingo clubs during March 2006 showed that there were 1,556 section 21 terminals in operation, a major increase on the March 2005 figure (267).

Period	Amount staked in £million	Percentage change from previous year
April 2001 to March 2002	1,164	4.1
April 2002 to March 2003	1,222	5.0
April 2003 to March 2004	1,381*	*see note below
April 2004 to March 2005	1,777	*see note below
April 2005 to March 2006	1,826	2.8

* 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.

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) (Amendment) Regulations 2002).

4.11 The National Bingo Game Association Limited is currently the only holder of the Gambling Commission's certificate of approval to operate multiple bingo. The NBGA has operated what is known as the National Game daily for the past 19 years. The number of NBGA clubs registered to play in its National Games was 510 at 31 March 2006 compared to 476 a year earlier.

4 Licensed bingo

continued

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 NBCA 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 was advised LinkCo would 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 simply, with minimal disruption. The maximum aggregate weekly prize money in linked bingo games played in any club is currently £500,000 (The Gaming Act (Variation of Monetary Limits) Order 2002). As linked mechanised cash bingo is now played across a number of licensed bingo premises, the mechanised cash bingo Code of Practice was modified in July 2004 to reflect this.

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. Pressures on resources as the Gambling Commission was established prevented further such meetings during the year.

Mixing of types of gaming machines

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 (figures for the previous year in brackets)

AWP (whether all-cash or cash/token)	£250 Jackpot	£500 Jackpot	Total
17,636 (15,588)	622 (864)	1,196 (843)	19,454 (17,296)

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4 Licensed bingo

continued

Table 4e New licences

	England and Wales	Scotland	Total
Applications outstanding on 31 March 2005	1	0	1
New applications received in 2005/06	9	1	10
Total	10	1	11
New licences issued	5	1	6
Applications withdrawn	1	1	2
Applications refused	1	–	1
Applications not determined by 31 March 2006	1	–	1
Total	8	2	10

Table 4d New certificates of consent

	England and Wales	Scotland	Total
Applications outstanding on 31 March 2005	1	0	1
New applications received in 2005/06	11	1	12
Total	12	1	13
Certificates issued	9	1	10
Applications withdrawn	–	–	–
Applications refused	–	–	–
Applications not determined by 31 March 2006	3	–	3
Total	13	1	13

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.

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.

Objections to bingo licences

4.18 No objections were lodged in 2005/06.

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.

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.

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	England and Wales	Scotland	Total
Applications outstanding on 31 March 2005	1	0	1
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Employment in the industry

4 Licensed bingo

continued

Table 4f Certificates of consent to transfer a licence

	England and Wales	Scotland	Total
Applications outstanding on 31 March 2005*	2	0	2
New applications received in 2005/06	8	0	8
Total	10	0	10
Certificates issued	9	0	9
Applications withdrawn	–	–	–
Applications refused	–	–	–
Applications not determined by 31 March 2006	1	–	1
Total	10	10	10

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

Table 4g Transfer of licences

	England and Wales	Scotland	Total
Applications outstanding on 31 March 2005	3	0	3
New applications received in 2005/06	10	0	10
Total	13	0	13
Licences issued	11	0	11
Applications withdrawn	–	–	–
Applications refused	–	–	–
Applications not determined by 31 March 2006	2	0	2
Total	13	0	13

Bingo played under sections 40 and 41 of the Gaming Act 1968

4.22 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 per day of 60p. 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.

4 Licensed bingo

continued

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Applications refused	–	–	–
Applications not determined by 31 March 2006	2	–	2
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New applications received in 2005/06	8	0	8
Total	10	0	10
Certificates issued	9	0	9
Applications withdrawn	–	–	–
Applications refused	–	–	–
Applications not determined by 31 March 2006	1	–	1
Total	10	10	10

5 Certification of employees

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

Period	Number of applications dealt with	Number of certificates issued
01/04/05 – 31/03/06	3,481	3,159
01/04/04 – 31/03/05	4,276	3,736
01/04/03 – 31/03/04	4,206	3,671
01/04/02 – 31/03/03	3,113	2,771
01/04/01 – 31/03/02	5,220	4,777

* The numbers of applications dealt with and certificates issued in each year do not necessarily relate to applications received in the same year.

Issue of certificates

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.

The difference between the two columns is a result of applications withdrawn or refused.

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.

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 as follows:

- red: for casino dealers, cashiers, inspectors, pit bosses, security staff employed to watch gaming, head cashiers and supervisors
- grey: for casino managers
- white: for casino executives; and
- pink: for bingo managers

5.4 The Gambling Act 2005 retains individual certification in the form of personal licences and provides for its expansion to cover other areas of gambling. Under its terms, there will be two types of personal licences: licences which authorise an individual to perform the functions of a specified management office and 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, with an exemption for 'small scale operators' to be defined by the Secretary of State.

5 Certification of employees

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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.

Issue of certificates

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

continued

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.

5.9 When the Commission issues a certificate, it sends an accompanying advisory letter to the certificate holder. This letter gives, in broad terms, the kinds of activities that might result in revocation of the certificate and asks the certificate holders to inform the Commission of any convictions and/or formal cautions that they might receive. The letter also requires certificate holders to notify the Commission if they are made bankrupt, enter into a composition with creditors, or make an Individual Voluntary Arrangement under the Insolvency Rules 1986. Not all bankruptcy or financial insolvency cases necessarily mean that a person is unfit to hold a Commission certificate: each case is examined on its merits. On each application for a certificate the applicant is required to declare all findings of guilt, including juvenile, convictions, formal police reprimands, warnings, cautions, and minor motoring offences, no matter how long ago, as well as any pending prosecutions.

5.10 A certificate, once issued, remains valid for the employee in respect of the casinos identified on it unless and until it is revoked. The wording of section 19 of the 1968 Act is such that new certificates may be required when the holder moves to a different casino or when their employer is taken over or otherwise changes. The Commission considers that the section 19 certificate relates to the individual holder rather than their employer and that there are circumstances in which moves of location in the same grade do not require a new section 19 certificate.

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.

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

5.12 Previous reports commented on the problems encountered by the Commission following the introduction on 11 March 2002 of the Criminal Records Bureau (CRB), which assumed from that date responsibility for carrying out criminal records checks on applicants resident in England and Wales. The CRB has made some progress towards improving its performance but is still a factor in the delays in issuing certificates. In 2005/06 over a third of all checks took more than four weeks before a disclosure was received from the CRB, which in turn makes it difficult for the Commission to meet its target of issuing certificates within six weeks of receipt of the application. No such issues have emerged with the Scottish Criminal Records Office (SCRO).

5.13 Further details on the procedures and other section 19 certificate of approval matters are available on the Commission's website under 'Certificates of Approval'.

Quality of managerial applicants

5.14 The Commission expects particularly high standards of applicants for its casino executives' white certificate. All applicants are subject to probity 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.

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* The principal reason is shown in each case.

Certificate holders	
Theft from employers/falsifying records/misappropriating company funds	(11) 8
Socialising	(3) 4
Incurring convictions after the issue of a S19 certificate (excluding drug-related convictions)	(6) 3
Theft from colleague/casino member	(0) 2
Collusion with players	(5) 1
Failing to declare convictions in breach of s.23 (6) of the Gaming Act (see paragraph 5.25)	(6) 1
Breaches of the Gaming Act or other relevant legislation/guidelines	(2) 1
Visiting and gaming in another casino	(1) 1
Involvement with drugs (including drug related convictions)	(11) 1
Accepting gratuities	(0) 1
Others	2 3
Total	(47) 26

Table 5b Reasons* for revocation of certificates: 1 April 2005 – 31 March 2006
(previous year's figures in brackets)

5.16 Revocation procedures are normally prompted by receipt from the Commission's Inspectorate of an adverse report on the certificate holder. The Commission expects operators to notify its Inspectorate immediately if disciplinary proceedings are taken against certificated employees. Even if the certificate holder has not been dismissed or committed an illegal act, the Commission may take revocation action. The test provided for in the Act is the broad one of fitness and propriety to hold the certificate. Where doubts are raised about the fitness or propriety of the certificate holder, the case is considered by officials in the Commission's Secretariat, who decide what action should be taken. If that decision calls into question the holder's suitability to continue to hold one or more of the Commission's certificates, a "minded to revoke" letter is issued. In it, the certificate holder is offered the opportunity to appear before a panel of Commissioners or to make written representations to explain his or her actions. In either situation, the case is then referred to Commissioners for a decision. The Commission will consider any extenuating circumstances that are drawn to its attention, either at the hearing or by letter. Reasons for revocation of certificates in the year ending 31 March 2006 were as follows:

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.

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 changed its procedures in respect of routine interview tests of knowledge and ability for grey and pink certificates. An interview is no longer held in cases where clear evidence of competence is already available. This has brought the procedures for these applicants into line with those for white certificates.

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Revocation of certificates

5.16 Revocation procedures are normally prompted by receipt from the Commission's Inspectorate of an adverse report on the certificate holder. The Commission expects operators to notify its Inspectorate immediately if disciplinary proceedings are taken against certificated employees. Even if the certificate holder has not been dismissed or committed an illegal act, the Commission may take revocation action. The test provided for in the Act is the broad one of fitness and propriety to hold the certificate. Where doubts are raised about the fitness or propriety of the certificate holder, the case is considered by officials in the Commission's Secretariat, who decide what action should be taken. If that decision calls into question the holder's suitability to continue to hold one or more of the Commission's certificates, a "minded to revoke" letter is issued. In it, the certificate holder is offered the opportunity to appear before a panel of Commissioners or to make written representations to explain his or her actions. In either situation, the case is then referred to Commissioners for a decision. The Commission will consider any extenuating circumstances that are drawn to its attention, either at the hearing or by letter. Reasons for revocation of certificates in the year ending 31 March 2006 were as follows:

	Certificate holders	
Theft from employers/falsifying records/misappropriating company funds	8	(11)
Socialising	4	(3)
Incurring convictions after the issue of a S19 certificate (excluding drug-related convictions)	3	(6)
Theft from colleague/casino member	2	(0)
Collusion with players	1	(5)
Failing to declare convictions in breach of s.23 (6) of the Gaming Act (see paragraph 5.25)	1	(6)
Breaches of the Gaming Act or other relevant legislation/guidelines	1	(2)
Visiting and gaming in another casino	1	(1)
Involvement with drugs (including drug related convictions)	1	(11)
Accepting gratuities	1	(0)
Others	3	2
Total	26	(47)

* 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 their terms 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.

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

Type of certificate	Number of hearings and interviews	Remarks
Casino Executive (white)	14	All were granted
Casino Manager (grey)	33	All were granted
Bingo Manager (pink)	56	All were granted
Gaming Employee (red)	2	1 first-time application was granted 1 re-application after revocation was granted
Existing certificate holders who had received "minded to revoke" letters	5	2 had all certificates revoked 2 retained some certificates 1 retained all certificates

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 Commission members where the certificate holder was not present. 21 had all their certificates revoked, three kept all certificates and one retained some certificates.

5 Certification of employees

continued

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Existing certificate holders who had received "minded to revoke" letters	5	2 had all certificates revoked 2 retained some certificates 1 retained all certificates

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

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.

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.

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 by certificate holders

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

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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

	New certificates issued	Existing certificates *re-issued	Total certificates issued	Applications refused	Applications withdrawn	**Revocations
Casino Executive (white certificate)	11	7	18	0	0	0
Casino Manager (grey certificate)	0	135	135	0	9	3
Casino Gaming Employee (red certificate)	1,788	1,123	2,911	0	314	23
Bingo Manager (pink certificate)	59	36	95	0	2	0
Total	1,858	1,301	3,159	0	322	26

* 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

	New applications	Transfers	Promotions	Re-issues	Total certificates issued
Casino Executive (white certificate)	11	3	4	0	18
Casino Manager (grey certificate)	0	50	77	8	135
Casino Gaming Employee (red certificate)	1,788	1,045	2	76	2,911
Bingo Manager (pink certificate)	59	23	5	8	95
Total	1,858	1,121	88	92	3,159

	New applications	Transfers	Promotions	Re-issues	Total certificates issued
Casino Executive (white certificate)	11	3	4	0	18
Casino Manager (grey certificate)	0	50	77	8	135
Casino Gaming Employee (red certificate)	1,788	1,045	2	76	2,911
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	New certificates issued	Existing certificates *re-issued	Total certificates issued	Applications refused	Applications withdrawn	**Revocations
Casino Executive (white certificate)	11	7	18	0	0	0
Casino Manager (grey certificate)	0	135	135	0	6	3
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Decisions by outcome and issues by type, 2005/06

5 Certification of employees

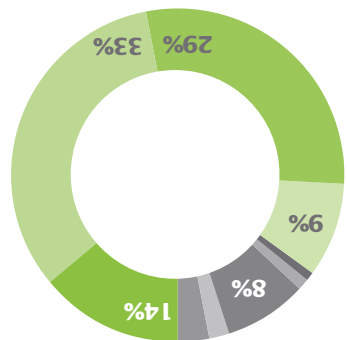
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6 Gaming machines

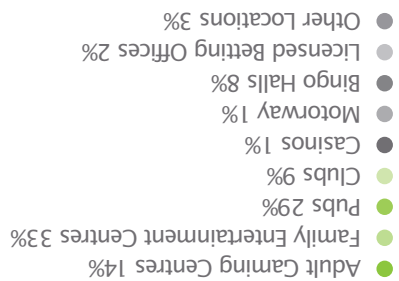
Size of industry

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, 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



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.



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 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 prizes are £8 non-cash and £5 cash and the maximum stake is 30p.

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.

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 prizes are £8 non-cash and £5 cash 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.

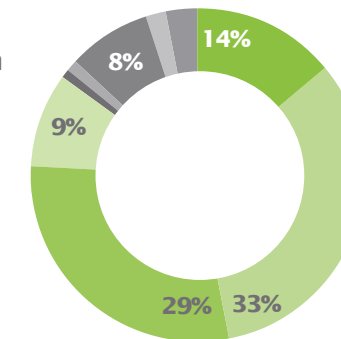
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Size of industry

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6 Gaming machines

continued

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.

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").

6.7 The development and proliferation of these machines has raised concerns, not least because there is nothing in law to prevent children from playing them. Guidelines have been agreed between the Commission and BACTA, which are designed to achieve some control over the way the machines operate. The guidelines are available on the Commission's website and on BACTA's at www.bacta.org.uk. The Commission and DCMS have published joint guidance to licensing authorities on dealing with applications for permits under section 16 of the 1976 Act: this guidance is also available on the Commission's website. The Commission and DCMS are closely monitoring the use of these machines.

6.8 It is important to note that DCMS has made it clear that it does not accept that section 16 of the 1976 Act or section 21 of the 1968 Act were intended to offer commercial rights to make available gaming by machine. That is the purpose of Part III of the Gaming 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.

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 Gambling Commission believes and is advised that parallel games (where more than one game is in play at the same time and the cumulative stake and/or potential prize exceeds the statutory maximum) are illegal.
- > The Commission acknowledges that serial games (in which a number of games are shown on the screen together but are played, and the results displayed, consecutively) breach neither the current law nor the current guidelines but both the Commission and DCMS are concerned at the rapid staking they permit as they believe it can exacerbate problem gambling, at least for some.
- > As a result and as part of the work on regulations and licence conditions under the 2005 Gambling Act, the Commission and DCMS will be consulting on possible alternatives to prevent such rapid play. Some alternatives are: banning 'autoplay' (where the machine plays consecutive games without any player intervention) altogether; controlling speed of play with longer periods between determinations for autoplay machines than for manual ones (where the player's 'thinking time' adds to the machine determination time to slow play); and limiting the number of games that can be played by a single use of the auto-play facility.
- > Manufacturers are advised therefore that they ought to be circumspect about what they do in advance of that consultation.

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.

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BACTA/Commission links

6 Gaming machines

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6.8 It is important to note that DCMS has made it clear that it does not accept that section 16 of the 1976 Act or section 21 of the 1968 Act were intended to offer commercial rights to make available gaming by machine. That is the purpose of Part III of the Gaming 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.

6.9 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.

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 Gaming machines

continued

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.

141 renewals were therefore left to be considered. The outcome of applications made, together with applications carried over from 2004/05, is shown in Table 6c.

6.13 If a certificate expires and has not been renewed, the holder may continue to honour existing contracts but is not entitled to negotiate new contracts or new rental or maintenance terms for machines already on site; nor can these machines be replaced or taken away and subsequently returned.

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

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

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

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

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

	England and Wales	Scotland	Total
New applications outstanding on 31 March 2005	7	1	8
New applications received 2005/06	29	1	30
Total	36	2	38
Certificates issued	28	2	30
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Renewal of certificates

7.1 This chapter reports on the lotteries 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 lotteries 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) had been 647 societies registered and again no local authority schemes. Local authority lotteries now seem to have totally disappeared. At their peak in 1994/95 they raised proceeds of £730,000. 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 60,122 lotteries promoted by societies compared with 62,088 for the preceding 12 month period. Of the 2005/06 returns, however, 52,255 were for 'Hotspot' lotteries, which are frequent draw online lotteries conducted mainly in public houses. Excluding 'Hotspot' lotteries, the numbers of returns were 7,567 in 2005/06, up on the figures of 7,419 in 2004/05, and 6,471 in 2003/04.

Returns to be made to the Commission

7.4 Proceeds raised by societies' lotteries fell from £141.1 million in 2004/05 to £138.7 million in 2005/06, a decrease £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.

7.7 In addition to dealing with applications for registration and renewal of registration, the Commission's Lotteries 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 if it transpires that the Commission has reservations about their legality.

Table 7a Figures for lottery proceeds

2005/2006	£138.7m
2004/2005	£141.1m
2003/2004	£126.6m
2002/2003	£129.9m
2001/2002	£108.9m
2000/2001	£107.1m
1999/2000	£103.5m
1998/1999	£161m
1997/1998	£125m
1996/1997	£115m

7 Lotteries

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Size of lotteries 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 registered and again no local authority schemes. Local authority lotteries now seem to have totally disappeared. At their peak in 1994/95 they raised proceeds of £730,000. During the year 21 new societies were registered with the Commission; no registrations were revoked or refused.

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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 sent to the Commission via email, letter or phone that are National Lottery related are referred to the National Lottery Commission.

Prize competitions and free draws

7.14 The Commission continues to make known its view that many prize competitions, including those on television, in newspapers and run as product promotions, amount to unlawful commercial lotteries operating under the guise of skill competitions or free draws. The 2005 Gambling Act will continue the prohibition on commercial lotteries and has been drafted in a way that is intended to provide a clear distinction between lotteries and either skill competitions or free draws.

External Lottery Managers

7.15 Since 1994 External Lottery Managers (ELMs) have been required to register with the Commission. At 31 March 2006 there were 15 registered ELMs, including one new registration during the year. There was one application still under consideration at 31 March 2006.

7.16 The booklet "Lotteries and the Law", which is available on the Commission's website, sets out some criteria for determining whether an organisation is acting as an external lottery manager or simply as a "service provider" (for which registration is not needed).

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 is sought before proceeding with proposals. 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.

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.

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

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7 Lotteries

continued

When trying to determine whether someone is an ELM or a service provider the degree of management undertaken by the parties is important, in particular:

- > who has control of the funds of the lottery;
- > who is responsible for the appointment of other sub-contractors; and
- > who controls the promotional aspects of the lottery.

Societies are advised that if they are considering employing someone to manage their lottery or part of their lottery and they have doubts about the status of that person they should approach the Commission's Lotteries Section for advice. A list of ELMs registered with the Commission has been posted on its website. A society may be putting its registration at risk if it uses a "service provider" which the Commission believes should properly be registered as an external lottery manager.

7.17 Societies and local authorities should be aware that even where they contract an ELM to run a lottery on their behalf, statutory responsibility for the conduct of the lottery still rests with them.

7.18 The Commission advises societies and local authorities that they should take proper care to ensure that any contract or arrangement into which they enter with an ELM meets their requirements. Societies should

ensure that the contract maximises their fundraising 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

Society lotteries	Number of Lotteries	Ticket Ticket Sales £	Expenses		Prizes		Balance to beneficiaries	
			£	%	£	%	£	%
England and Wales	48,522	£130,555,343	£33,295,079	25	£27,309,796	21	£69,950,472	54
Scotland	11,600	£8,145,225	£2,037,057	25	£2,365,943	29	£3,742,225	46
Total	60,122	£138,700,572	£35,332,136	25	£29,675,739	21	£73,692,696	53

* This figure includes 52,255 "Hotspot" lotteries of which 11,186 were held in Scotland.

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7 Lotteries

continued

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

Society and local authority lotteries	2001/2002		2002/2003		2003/2004		2004/2005		2005/2006	
	Total Ticket Sales	No. of Lotteries	Total Ticket Sales	No. of Lotteries	Total Ticket Sales	No. of Lotteries	Total Ticket Sales	No. of Lotteries	Total Ticket Sales	No. of Lotteries
England and Wales	101.9	4,722	113.1	44,000	117.4	49,972	130.3	50,553	130.6	48,522
Scotland	7.0	265	16.9	365	9.2	3,558	10.8	11,535	8.1	11,600
Total	108.9	4,987	129.9	44,365	126.6	53,530	141.1	62,088	138.7	60,122

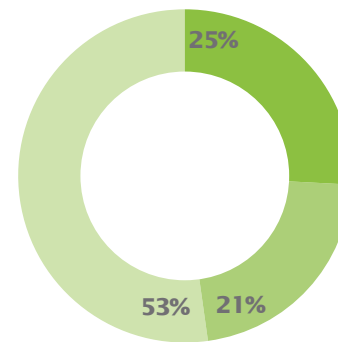
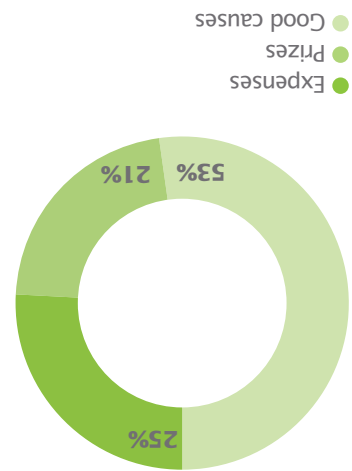


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Total	108.9	4,987	129.9	44,365	126.6	53,530	141.1	62,088	138.7	60,122

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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 certificate of consent and bingo certificate of approval 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.

8.3 The Commission, mainly through its Inspectorate, continues to provide the Police, HM Revenue & Customs, the courts and other authorities with both specialist assistance and advice. In particular the current revival 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 police and 14 to gaming licensing and other authorities. The Inspectorate continues to be a member of the Financial Crime Information Network (formerly the Financial Fraud Information Network).

Inspectorate staffing

8.4 The Chief Inspector, Deputy Chief Inspector and one Senior Inspector retired from the Commission during the year. The two most senior posts are now catered for by the Commission's new structure at Director level.

8.5 The Commission's five regional offices were closed during the year and the work was temporarily centralised under a small Regional Support team at the London main office, pending its permanent move to the new Commission headquarters in Birmingham.

Risk assessment

8.6 In recent years, the Gaming Board has risk assessed each gambling premises/operator against set criteria with the process determining the number of visits a particular premises would receive. The prospective 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. Compliant operators 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.

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8.5 The Commission's five regional offices were closed during the year and the work was temporarily centralised under a small Regional Support team at the London main office, pending its permanent move to the new Commission headquarters in Birmingham.

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 Inspectorate staff.

8.15 All complaints received from members of the public, players and certificated staff in respect of gaming licensed premises and other gaming activities, both lawful and unlawful, received full enquiry from the Inspectorate or were re-directed to the appropriate authority. During the year investigations were carried out into 212 complaints (51 casino, 68 bingo and 93 'other'). Of these 46 were found to be justified and involved minor infringements of rules and procedures or faulty equipment across the industry.

Complaints from the public

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 travel, thereby providing good value for money.

Assistance to and contacts with overseas authorities

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.

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.

Intelligence Section

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 restructured 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 Inspectorate staff.

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Gaming machines

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authorities with respect to electromechanical gambling devices and, in particular, issues related to the operation of gaming terminals sited under section 21 of the Gaming Act, 1968 and section 16 of the Lotteries & Amusements Act, 1976. Manufacturers have continued their development of section 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, unlike 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.

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8.16 In addition, the Commission dealt with four formal complaints about the actions of the Inspectorate staff.

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 allows clubs to play equal chance gaming (such as bingo) and to make charges greater than those permitted under section 40 of the Act. Renewal of a registration lasts for one year or, on application, for such higher number of years as the licensing authority sees fit, up to a maximum of ten years. The total number of clubs reported as registered under Part II of the 1968 Act at 31 March 2006 was 340 for England and Wales and 60 for Scotland.

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

9.4 Table 9a sets out particulars of registrations in the period 1 April 2003 – 31 March 2006.

9.5 During this period 27 registrations were cancelled or relinquished in England and Wales; no registrations were cancelled or relinquished in Scotland.

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

9.7 Registration by 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 9b shows the disposal of applications made between 1 April 2003 and 31 March 2006.

9.9 During this period 443 registrations were cancelled or relinquished in England and Wales, and two 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.

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

9.4 Table 9a sets out particulars of registrations in the period 1 April 2003 – 31 March 2006.

9.5 During this period 27 registrations were cancelled or relinquished in England and Wales; no registrations were cancelled or relinquished in Scotland.

9 Registered clubs

Table 9b Registrations under Part III of the Gaming Act 1968 during the period 1 April 2003 to 31 March 2006			
	England and Wales	Scotland	Total
Initial applications			
Granted	601	5	606
Refused	18	0	18
Not proceeded with	41	0	41
Not determined by 31 March 2006	5	0	5
Total	665	5	670
Renewal applications			
Granted	4,116	312	4,428
Refused	0	0	0
Not proceeded with	363	16	379
Not determined by 31 March 2006	33	0	33
Total	4,512	328	4,840

Table 9a Registrations under Part II of the Gaming Act 1968 during the period 1 April 2003 to 31 March 2006			
	England and Wales	Scotland	Total
Initial applications			
Granted	207	54	261
Refused	1	0	1
Not proceeded with	38	0	38
Not determined by 31 March 2006	3	0	3
Total	249	54	303
Renewal applications			
Granted	601	5	606
Refused	18	0	18
Not proceeded with	41	0	41
Not determined by 31 March 2006	5	0	5
Total	665	5	670

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

	England and Wales	Scotland	Total
Initial applications			
Granted	25	6	31
Refused	2	0	2
Not proceeded with	14	0	14
Not determined by 31 March 2006	3	0	3
Total	44	6	50
Renewal applications			
Granted	4,116	312	4,428
Refused	0	0	0
Not proceeded with	363	16	379
Not determined by 31 March 2006	33	0	33
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Appendix I:

Selection of key gaming industry and Commission statistics

	2001/02	2002/03	2003/04	2004/05	2005/06
Casinos					
Operating at year end	122	126	131	138	140
Drop (£million)	3,532	3,788	4,073	4,158	4,231
House win at % of drop	17	18	17	17	17
American roulette (including electronic roulette), as % of total drop	64.6	56.8	64.0	66.0	65.0
Applications for certificates of consent or their continuance					
(a) made	46	36	19	75	105
(b) determined (including withdrawn and fallen applications)	71	32	54	30	101
– of which refused	0	0	0	0	0
Bingo					
Clubs holding a gaming licence at end of year	706	724	727	700	698
Amount staked on bingo: million	1,164	1,222	1,381	1,777	1,826
Application for certificates of consent					
(a) made	56	59	31	21	20
(b) determined (including withdrawn)	46	57	26	61	68
– of which refused	0	0	0	0	0
Certification of casino and bingo employees					
Certificate issued or re-issued	4,777	2,771	3,671	3,736	3,159
Applications refused	2	0	3	0	0
Certificate holders revoked	51	30	30	47	26
Gaming machines					
Jackpot (or club machines) pinball, pushers, cranes					
Amusement with prizes (AWP) machines licensed					
Certificates to sell, supply and maintain in force at year end	678	670	680	642	670
Certificates refused or revoked	1	2	0	0	0
Lotteries					
Society scheme registrations at year end	662	650	644	647	660
Local authority schemes registered at year end	1	1	1	0	0
Schemes revoked	0	0	0	0	0
Number of lotteries held under Board registered schemes	4,987	*44,365	**50,530	***62,088	****60,122
Total ticket sales (£million)	108.9	129.9	126.6	141.1	138.7

* 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

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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 broadcasting 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 Commission. 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 Old Mutual South Africa Trust Plc and Molins PLC. He is an author, Chairman of the Friends of the Victoria and Albert Museum and is an Honorary Member of the Royal College of Music. He was appointed to the Gaming Board in 1999 and holds a special responsibility for the Commission's Scottish affairs.

Jenny Williams (Chief Executive)

Jenny Williams became the Chief Executive of the Gaming Board in 2004. She is a non-executive director of Northumbrian Water Group PLC. She was previously a Director General and board member at the Lord Chancellor's Department (now the Department for Constitutional Affairs). Before that she held a variety of policy and project management posts as a senior civil servant in the Inland Revenue, the Departments of Environment and Transport, and the Home Office

* Member of Audit Committee.
† Member of Remuneration Committee

Commissioners

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 Council and former Chairman of the Enforcement Committee of the General Insurance Standards Council and of the Law Society's Company Law Committee. Mr Knight joined the Gaming Board in January 2004.

Robert Lockwood JP* †

Robert Lockwood is a former local authority Director and Chief Executive. His extensive local government career was followed by service in the charity sector as Chief Executive of the London Red Cross. Appointed as a Magistrate in 1983, he is a former Chairman of the Enfield Petty Sessions Area. For five years prior to joining the Board in 1988, he was Chairman of the Betting, Gaming and Licensing Committees. Mr Lockwood is a former Deputy Traffic Commissioner to the Department for Transport. Mr Lockwood retired from the Commission on 31 December 2005.

Gill Milburn JP*

Gill Milburn had a career in taxation and marketing prior to joining the Gaming Board in January 2004. She is also a Magistrate and served on Cheshire Magistrates' Courts Licensing and Enforcement Panels. Mrs Milburn is a member of the Communication & External Affairs Committee of the Responsibility in Gambling Trust.

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Appendix II: continued

Senior staff of the Gambling Commission

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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

The Commission's staff as at 31 March 2006

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

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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Telephone enquiry numbers

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Enquiry line
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Appendix III: Management commentary and financial statements

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Introduction

1. 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.

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 Gaming Act 1968. Under the provisions of the Gambling Act 2005 all assets, rights, and liabilities of the Board became those of the Commission with effect from 1 October 2005, and closing balances have been transferred to the Commission. 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 are shown for prior years although closing balances for the Board have been stated as opening balances for the Commission.

4. The Comptroller and Auditor General is the appointed auditor to both the Board and the Commission in accordance with the respective Financial Memoranda on payment of the grant-in-aid and, for the Commission, as set out in Schedule 4 of the Gambling Act 2005. The audited and certified accounts are published in the Annual Report of the Commission which is laid before Parliament by the Secretary of State under the provisions of the Gambling Act 2005.

5. As Accounting Officer, as far as I am aware, there is no relevant audit information of which the Commission's auditors are unaware. I have taken all reasonable steps as Accounting Officer to make myself aware of any relevant audit information and to establish that the Commission's auditors are aware of that information.

Brief history and statutory background

6. The Commission was formally launched on 1 October 2005 under the provisions of the Gambling Act 2005 which received Royal Assent on 7 April 2005. 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. Further details of the Commission's statutory background and various stages of implementation 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 £234,000 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).

9. Net deficit at 30 September 2005 amounted to £39,000.

Introduction

1. 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.

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 Gaming Act 1968. Under the provisions of the Gambling Act 2005 all assets, rights, and liabilities of the Board became those of the Commission with effect from 1 October 2005, and closing balances have been transferred to the Commission. 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 are shown for prior years although closing balances for the Board have been stated as opening balances for the Commission.

4. The Comptroller and Auditor General is the appointed auditor to both the Board and the Commission in accordance with the respective Financial Memoranda on payment of the grant-in-aid and, for the Commission, as set out in Schedule 4 of the Gambling Act 2005. The audited and certified accounts are published in the Annual Report of the Commission which is laid before Parliament by the Secretary of State under the provisions of the Gambling Act 2005.

5. As Accounting Officer, as far as I am aware, there is no relevant audit information of which the Commission's auditors are unaware. I have taken all reasonable steps as Accounting Officer to make myself aware of any relevant audit information and to establish that the Commission's auditors are aware of that information.

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Appendix III

continued

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 £5.3m 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 amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

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. The Commission makes payments to the former Chairmen as they are due. The expected cost of providing the pension is recognised over the period in which the Commission benefits from the Chairman's services through the building up of a provision for the future liability using actuarially assessed assumptions. 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 total fees received by the Commission in respect of certificates and registrations are remitted to DCMS as part of its appropriation-in-aid. Licence fees, which are levied under the Gaming Act 1968, are collected by the Clerks of the Licensing Justices (Licensing Courts in Scotland),

and remitted directly to the Department for Constitutional Affairs for surrender to the Consolidated Fund.

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 with effect from 1 April 2005 and 1 April 2006 respectively:

Sector	From 1 April 2006	From 1 April 2005
Casino	4.0% to 10.0%	4.8%
Bingo	6.0% to 10.0%	8.1%
Gaming machines	6.0%	2.8%
Employee certificate of approval	5.5%	–
Lotteries	4.0%	3.0%

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

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Gambling Commission

Appendix III

continued

18. 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.

	2006 2005 (£000)	2006 2005 (£000)	2006 2005 (£000)	2006 2005 (£000)	2006 2005 (£000)	2006 2005 (£000)
	Gaming		Lotteries		Total	
Fee income						
Fees collected by:						
Gambling Commission ⁽¹⁾	2,135	1,713	539	575	2,674	2,288
Courts (estimated) ⁽⁴⁾	3,210	2,773	–	–	3,210	2,773
Total fee income	5,345	4,486	539	575	5,884	5,061
Costs						
Incurred by:						
Gambling Commission ⁽²⁾	5,038	3,859	462	389	5,500	4,248
– Operating expenditure	5,038	3,859	462	389	5,500	4,248
– Notional cost of capital	6	5	1	–	7	5
– Notional insurance costs	3	3	–	–	3	3
– Costs recovered ⁽³⁾	(20)	(22)	(2)	(2)	(22)	(24)
Gambling Commission (net)	5,027	3,845	461	387	5,488	4,232
Estimated costs supplied by DCMS ⁽⁴⁾						
– Courts	408	398	–	–	408	398
– Police authorities	113	110	–	–	113	110
– DCMS	38	44	9	11	47	55
Total expenditure	5,586	4,397	470	398	6,056	4,795
Estimated (deficit)/surplus of recovery of costs for year	(241)	89	69	177	(172)	266

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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 casework 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, estimated court fees have been calculated by using returns from the Courts regarding the number of licences granted, multiplied by the appropriate fees.

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Appendix III

continued

19. 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 staff to cover vacancies. This was offset in part by increased numbers of applications, most noticeably for certificates of consent for casino licences.

20. The above fee income and cost analysis, including calculation of the notional element of costs, conforms with the HM Treasury’s “Fees and Charges Guide” as far as practicable, and is not intended to comply with SSAP 25 (Segmental Reporting).

Compliance with public sector payment policy

21. The Commission’s policy, 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.

Fixed assets

22. In the period to 31 March 2006 the book value of fixed assets increased from £67,000, the value of assets transferred from the Board at 30 September 2005, to £453,000, which represented investment by the Commission in new IT systems to facilitate the work of the organisation as it goes forward under the new licensing regime, also the capitalisation of costs related to the fit-out of the new offices in Birmingham.

Future developments and going concern

23. 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, the accounts of both the Gaming Board and the Gambling Commission are stated on a going concern basis with the closing balances of the Board being brought into the opening accounts of the Commission.

24. The provisions of the Gambling Act 2005 are being implemented in stages, with final implementation due to be complete in September 2007. As this new regulatory structure is substantially different to that of the Board, the Commission now has a large volume of work to complete to ensure the effective transition to the new legislative regime. There are two key strands to this work:

- > establishing the regulatory structure; and
- > establishing the Gambling Commission infrastructure.

Further details on both these areas of work can be found in Chapter 2 of the main Annual Report.

Post balance sheet date events

25. There were no significant post balance sheet date events to report.

Charitable donations

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

Staff involvement and development

27. 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.

28. 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.

29. The Commission is also committed to, and is already working towards, an environment in which learning becomes a part of the organisational culture, and will develop polices, procedures and practices to support this aim.

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Appendix III

continued

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:

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

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

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The Gaming Board for Great Britain

the accounts for the six months ended 30 September 2005

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The Gaming Board for Great Britain

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Gaming Board for Great Britain 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 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.

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.

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Gaming Board for Great Britain Remuneration report continued

(i) Remuneration

	2006 (six months to 30 September 2005)		2005 (twelve months to 31 March 2005)	
	Salary (£000)	Benefits in kind (to nearest £100)	Salary (£000)	Benefits in kind (to nearest £100)
Jenny Williams Chief Executive Officer (from 17 November 2004)	60–65 (125–130 full year equivalent)	–	40–45 (115–120 full year equivalent)	–
Tom Kavanagh Board Secretary	40–45 (80–85 full year equivalent)	–	80–85	–
Peter Dean Chairman	30–35 (60–65 full year equivalent)	1,900	55–60	2,900

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.

	2006 (six months to 30 September 2005)		2005 (twelve months to 31 March 2005)	
	Salary (£000)	Benefits in kind (to nearest £100)	Salary (£000)	Benefits in kind (to nearest £100)
Jenny Williams Chief Executive Officer (from 17 November 2004)	60–65 (125–130 full year equivalent)	–	40–45 (115–120 full year equivalent)	–
Tom Kavanagh Board Secretary	40–45 (80–85 full year equivalent)	–	80–85	–
Peter Dean Chairman	30–35 (60–65 full year equivalent)	1,900	55–60	2,900

(i) Remuneration

Gaming Board for Great Britain Remuneration report continued

'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.

(ii) Pension benefits

2006 (6 months to 30 September 2005)

	Accrued pension at age 60 as at 30/09/05 and related lump sum (£000)	Real increase in pension and related lump sum at age 60 (£000)	*CETV at end date nearest (£000)	*CETV at start date nearest (£000)	Employee contributions and transfers (£000)	Real increase in CETV to nearest (£000)
Jenny Williams** Chief Executive	-	-	-	-	-	-
Tom Kavanagh Board Secretary	30-35 plus 100-105 lump sum	0-2.5 plus 0-2.5 lump sum	64	79	0-2.5	8
Peter Dean Chairman	0-5 plus 10-15 lump sum	0-2.5 plus 0-2.5 lump sum	94	85	0-2.5	7

2005 (12 months to 31 March 2005)

	Accrued pension at age 60 as at 31/03/05 and related lump sum (£000)	Real increase in pension and related lump sum at age 60 (£000)	*CETV at end date nearest (£000)	*CETV at start date nearest (£000)	Employee contributions and transfers (£000)	Real increase in CETV to nearest (£000)
Jenny Williams** Chief Executive Officer	-	-	-	-	-	-
Tom Kavanagh Board Secretary	30-35 plus 100-105 lump sum	0-2.5 plus 0-2.5 lump sum	604	560	0-2.5	17
Peter Dean Chairman	0-5 plus 10-15 lump sum	0-2.5 plus 0-2.5 lump sum	94	85	0-2.5	7

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.

* 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.

Jenny Williams** Chief Executive	-	-	-	-	-	-
Tom Kavanagh Board Secretary	30-35 plus 100-105 lump sum	0-2.5 plus 0-2.5 lump sum	604	560	0-2.5	17
Peter Dean Chairman	0-5 plus 10-15 lump sum	0-2.5 plus 0-2.5 lump sum	94	85	0-2.5	7

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	Accrued pension at age 60 as at 30/09/05 and related lump sum (£000)	Real increase in pension and related lump sum at age 60 (£000)	*CETV at end date nearest (£000)	*CETV at start date nearest (£000)	Employee contributions and transfers (£000)	Real increase in CETV to nearest (£000)
Jenny Williams** Chief Executive	-	-	-	-	-	-
Tom Kavanagh Board Secretary	30-35 plus 100-105 lump sum	0-2.5 plus 0-2.5 lump sum	841	799	0-2.5	8
Peter Dean Chairman	0-5 plus 10-15 lump sum	0-2.5 plus 0-2.5 lump sum	94	85	0-2.5	7

2005 (12 months to 31 March 2005)

	Accrued pension at age 60 as at 31/03/05 and related lump sum (£000)	Real increase in pension and related lump sum at age 60 (£000)	*CETV at end date nearest (£000)	*CETV at start date nearest (£000)	Employees contributions and transfers (£000)	Real increase in CETV to nearest (£000)
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Gaming Board for Great Britain Remuneration report continued

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

Gaming Board for Great Britain Remuneration report continued

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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 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.

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Jenny Williams

Chief Executive and Accounting Officer
The Gaming Board for Great Britain

23 June 2006

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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. The responsibility for managing risk within the Board rested 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 assess and manage 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 of 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 management and ownership of risk, how risk was considered in the corporate and business planning processes, recorded the criteria used to inform the assessment of risk, and described the recording and monitoring procedures for risk management and evaluation;
- > 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 risks under review and ensuring controls and processes designed to contain the risks were appropriate. Staff at all levels were encouraged to advise their line manager if they identified new risks or felt any of the existing controls and processes were inadequate; and
- > 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 management 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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 - > The Senior Management Team provided the direction and resources with which to assess and manage 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.
 - > The Board's capacity to handle risk was based upon a combination of the following key components: leadership; staff involvement; and the organisation structure. The responsibility for managing risk within the Board rested 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.
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23 June 2006

Chief Executive and Accounting Officer
The Gaming Board for Great Britain

Jenny Williams

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;
- > Internal Audit – an internal audit function was performed by a qualified and independent third party 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 system of internal control together with recommendations for improvement.
- > 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 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 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 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.

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.

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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 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 also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Gaming Board for Great Britain has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

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 read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only Chapters 1 to 9 and Appendices I, II, IV and V, the unaudited part of the Remuneration Report and the Management Commentary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

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

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 Gaming Board for Great Britain and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Gaming Board'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 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 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.

John Bourn

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

27 June 2006

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.

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 Gaming Board for Great Britain and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Gaming Board'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

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- > 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
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Income and expenditure account for the six months ended 30 September 2005

	Notes	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Income			
Grant-in-aid	2	4,141	6,198
Other income	6	54	129
Total income		4,195	6,327
Expenditure			
Staff costs	7	(1,672)	(2,838)
Other operating costs	8	(2,765)	(3,314)
Depreciation	9	(3)	(9)
Total expenditure		(4,440)	(6,161)
Operating (deficit)/surplus		(245)	166
Interest receivable		15	17
Interest cost on pensions	7	(4)	(8)
Notional capital charges		(3)	(5)
(Deficit)/surplus on ordinary activities		(237)	170
Write back notional capital charges		3	5
Retained (deficit)/surplus for the year		(234)	175
Movement on income and expenditure reserve			
Accumulated surplus brought forward		182	18
Retained (deficit)/surplus for the year		(234)	175
Adjustment on pensions	7	(13)	(11)
Accumulated (deficit)/surplus carried forward	13	(59)	182

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

	Notes	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Retained (deficit)/surplus for the year		(234)	175
(Loss) on pension liability	7	(13)	(11)
Total recognised (losses)/gains since the previous Annual Report		(247)	164

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

	Notes	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Income		4,141	6,198
Grant-in-aid	2	4,141	6,198
Other income	6	54	129
Total income		4,195	6,327
Expenditure		(1,672)	(2,838)
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Adjustment on pensions	7	(13)	(11)
Accumulated (deficit)/surplus carried forward	13	(65)	182

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

All operations are treated as continuing.

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Income and expenditure account for the six months ended 30 September 2005

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

	2006 (6 months) (12 months) 2005 Notes	2006 (6 months) (12 months) 2005 Notes
Net cash (outflow)/inflow from operating activities	15	15
Returns on investment and servicing of finance	16	16
Investing activities	–	–
Payment to acquire tangible fixed assets	–	–
Net cash (outflow)/inflow before financing	(419)	(419)
Financing	–	–
Grant-in-aid for capital expenditure	–	–
Fee income received	4	4
less Fees appropriated to DCMS	(1,429)	(1,429)
(Decrease)/increase in cash	(480)	(480)
	16	16

Cash flow statement for the six months ended 30 September 2005

Chief Executive and Accounting Officer
The Gaming Board for Great Britain

Jenny Williams

23 June 2006

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

	2005 (12 months) 2005 Notes	2006 (6 months) (12 months) 2005 Notes
Fixed assets		
Tangible assets	9	9
Current assets		
Debtors and prepayments	10	10
Cash at bank and in hand	16	16
Total current assets	1,607	1,297
Creditors (amounts falling due within one year)	11	11
Net current assets	114	114
Net assets excluding pension liability	134	134
Pension liability	12	12
Net assets including pension liability	(39)	(39)
Capital and reserves		
Reserves	13	13
Income and expenditure reserve	13	13
Total capital and reserves	211	211

Balance sheet as at 30 September 2005

Balance sheet as at 30 September 2005

	Notes	to 30 Sept 2005 (£000)	2004/05 (£000)
Fixed assets			
Tangible assets	9	20	23
Current assets			
Debtors and prepayments	10	238	175
Cash at bank and in hand	16	1,059	1,432
Total current assets		1,297	1,607
Creditors (amounts falling due within one year)	11	(1,183)	(1,265)
Net current assets		114	342
Net assets excluding pension liability		134	365
Pension liability	12	(173)	(154)
Net assets including pension liability		(39)	211
Capital and reserves			
Reserves	13	26	29
Income and expenditure reserve	13	(65)	182
Total capital and reserves		(39)	211

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

	Notes	2006 (6 months) (£000)	2005 (12 months) (£000)
Net cash (outflow)/inflow from operating activities	15	(435)	835
Returns on investment and servicing of finance			
Interest received		16	16
Investing activities			
Payment to acquire tangible fixed assets		–	–
Net cash (outflow)/inflow before financing		(419)	851
Financing			
Grant-in-aid for capital expenditure		–	–
Fee income received	4	1,368	(2,294)
less Fees appropriated to DCMS		(1,429)	(2,310)
		(61)	(16)
(Decrease)/increase in cash	16	(480)	835

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

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:

Computer equipment	4 years
Furniture	10 years
Office equipment	7 years
Telecoms	10 years

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

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a) Accounting conventions

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. 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 PCSPS of amounts calculated on an accruing basis.

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

The current and former Chairmen of the Board are covered by a pension scheme which is 'by-analogy' with the PCSPS. 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 as incurred.

g) Value added tax

The Gaming Board is not registered for VAT and therefore all costs are shown inclusive of VAT where VAT was charged.

h) Licence fee receipts

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. 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.

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Notes to the accounts continued

2 Grant-in-aid

	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Gaming Board operations		
Grant drawn from DCMS for operational purposes plus Release of deferred government grant reserve in respect of depreciation charged	2,381	4,399
less Transfer to deferred government grant reserve in respect of fixed asset acquisitions	3	9
Total Gaming Board operations	2,384	4,408
Gaming Board transition		
Grant drawn from DCMS for transition purposes plus balance of grant brought forward from deferred income	1,276	2,215
less unused portion of grant drawn carried forward as deferred income	481	56
Total transition	1,757	1,790
Total grant-in-aid	4,141	6,198

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:

	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Grant-in-aid	1,757	1,790
Interest	6	9
	1,763	1,796
Expenditure		
Staff costs	246	210
Other operating costs	1,517	1,586
	1,763	1,796

	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Grant-in-aid	1,757	1,790
Interest	6	9
	1,763	1,796
Expenditure		
Staff costs	246	210
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At 30 September 2005 the balance of the advance had been fully utilised.

2 Grant-in-aid

to 30 Sept 2005 (12 months) (£000)	
129	54
13	–
116	54

6 Other income

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.

5 Criminal Records Bureau

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.

to 30 Sept 2005 (12 months) (£000)	
742	319
438	393
113	61
260	395
160	–
1,713	1,168
575	196
2,288	1,364
6	4
2,294	1,368

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:

4 Fee receipts

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	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Section 19 certificates	319	742
Section 27 certificates	393	438
Certificates of consent		
– Bingo	61	113
– Casino	395	260
Multiple bingo	–	160
Total Gaming	1,168	1,713
Lotteries and Amusements Act	196	575
Total fee income	1,364	2,288
Interest on fee income	4	6
Total	1,368	2,294

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.

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6 Other income

	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Recovery of CRB fees	54	116
Miscellaneous income	–	13
	54	129

Notes to the accounts continued

7 Staff costs

a) Analysis of staff costs

	Operations		Transition		Total	
	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Salaries and wages	1,149	2,177	199	167	1,348	2,344
Social Security costs	96	180	19	16	115	196
Other pension costs						
– Included within operating profit	181	271	28	27	209	298
– Included as other finance costs	4	8	–	–	4	8
– Recognised in statement of total recognised gains and losses	13	11	–	–	13	11
Total other pension costs	198	290	28	27	226	317
Total staff costs	1,443	2,647	246	210	1,689	2,857

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

	Operations		Transition		Total	
	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Staff costs	1,426	2,628	246	210	1,672	2,838
Interest cost on pensions	4	8	–	–	4	8
Adjustment on pensions	13	11	–	–	13	11
Total	1,443	2,647	246	210	1,689	2,857

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 Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

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%.

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(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 Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

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%.

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.

The estimated cost of accruing for the liability in respect of the current Chairman at 30 September 2005 is equivalent to 20.3% (2004/05: 20.8%) of his actual total salary.

	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Analysis of amount charged to operating surplus:		
Current service cost	7	13
Analysis of amount charged to other finance costs:		
Interest on pension scheme liabilities	4	8
Analysis of amount recognised in statement of total recognised gains and losses (STRGL):		
Actuarial (loss)	(3)	(11)
Overnight increase in liability (change on return)	(10)	-
Total (loss) recognised in STRGL	(13)	(11)

The increase in liability 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.

The estimated cost of accruing for the liability in respect of the current Chairman at 30 September 2005 is equivalent to 20.3% (2004/05: 20.8%) of his actual total salary.

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

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:

	30 Sept 2005	2004/05 (12 months) (£000)
Inflation assumption	2.5%	2.5%
Rate on increase in salaries	4.0%	4.0%
Rate of increase for pensions in payment, in line with price inflation	2.5%	2.5%
Discount rate for scheme liabilities	5.4%	6.1%

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

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Discount rate for scheme liabilities	5.4%	6.1%

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

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.

(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.

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:

	30 Sept 2005	31 Mar 2005
Inflation assumption	2.5%	2.5%
Rate on increase in salaries	4.0%	4.0%
Rate of increase for pensions in payment, in line with price inflation	2.5%	2.5%
Discount rate for scheme liabilities	5.4%	6.1%

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Analysis of amount charged to operating surplus:		
Current service cost	7	13
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Interest on pension scheme liabilities	4	8
Analysis of amount recognised in statement of total recognised gains and losses (STRGL):		
Actuarial (loss)	(3)	(11)
Overnight increase in liability (change on return)	(10)	-
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The estimated cost of accruing for the liability in respect of the current Chairman at 30 September 2005 is equivalent to 20.3% (2004/05: 20.8%) of his actual total salary.

Notes to the accounts continued

7 Staff costs continued

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

	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Secretariat	36	38
Inspectorate	34	34
Transition	10	3
	80	75

8 Other operating costs

	to 30 September 2005 (6 months)			2004/05 restated (12 months)		
	Operations (£000)	Transition (£000)	Total (£000)	Operations (£000)	Transition (£000)	Total (£000)
Accommodation	440	76	516	746	148	894
Professional & accountancy fees	191	1,281	1,472	165	1,361	1,526
Travelling and subsistence	136	7	143	268	5	273
Training/recruitment and Agency staff	265	128	393	154	53	207
Office supplies and services	50	19	69	120	8	128
Hospitality	3	-	3	3	-	3
IT Expenditure	64	1	65	79	8	87
Payroll/pension service charges and internal audit fee	11	1	12	27	-	27
Gaming Regulators European Forum	4	-	4	3	-	3
Audit fee	20	4	24	20	3	23
Diminution in value of fixed assets	-	-	-	6	-	6
Amounts payable to CRB	54	-	54	116	-	116
Write off old season ticket balances	-	-	-	1	-	1
Other	10	-	10	20	-	20
Total Operating Costs	1,248	1,517	2,765	1,728	1,586	3,314

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

	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Land and buildings	402	687
Other	2	5
	404	692

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Other	10	-	10	20	-	20
Total Operating Costs	1,248	1,517	2,765	1,728	1,586	3,314

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

	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Secretariat	36	38
Inspectorate	34	34
Transition	10	3
	80	75

7 Staff costs continued

Notes to the accounts continued

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

	to 30 Sept 2005 (£000)	2004/05 (£000)
Trade creditors	91	21
Payroll	177	104
Other creditors	177	244
Bank overdraft	108	1
Accruals	630	414
Deferred income	-	481
Total	1,183	1,265

11 Creditors (amounts falling due within one year)

	to 30 Sept 2005 (£000)	2004/05 (£000)
Staff season ticket loans and expense imprests	28	35
Bank interest accrued	2	2
Other debtors	-	4
Prepayments	208	134
Total	238	175

10 Debtors

	At 31 March 2005	At 30 September 2005	At 31 March 2005	At 30 September 2005
Cost/valuation	27	27	27	27
Revaluations	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Accumulated depreciation	24	24	24	24
Revaluations	-	-	-	-
Provided in the period	1	1	1	1
Disposals	-	-	-	-
Net book value at 31 March 2005	3	3	3	3
Net book value at 30 September 2005	2	2	2	2
Staff season ticket loans and expense imprests	-	-	-	-
Bank interest accrued	-	-	-	-
Other debtors	-	-	-	-
Prepayments	208	134	208	134
Total	23	20	23	20

9 Tangible fixed assets

	At 31 March 2005	At 30 September 2005	At 31 March 2005	At 30 September 2005
Cost/valuation	27	27	27	27
Revaluations	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Accumulated depreciation	24	24	24	24
Revaluations	-	-	-	-
Provided in the period	1	1	1	1
Disposals	-	-	-	-
Net book value at 31 March 2005	3	3	3	3
Net book value at 30 September 2005	2	2	2	2
Computers (£000)	-	-	-	-
Furniture (£000)	-	-	-	-
Office Equipment (£000)	9	9	9	9
Telecoms (£000)	1	1	1	1
Total (£000)	23	20	23	20

9 Tangible fixed assets

	Computers (£000)	Furniture (£000)	Office Equipment (£000)	Telecoms (£000)	Total (£000)
Cost/valuation					
At 31 March 2005	27	-	21	19	67
Revaluations	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
At 30 September 2005	27	-	21	19	67
Accumulated depreciation					
At 31 March 2005	24	-	9	11	44
Revaluations	-	-	-	-	-
Provided in the period	1	-	1	1	3
Disposals	-	-	-	-	-
At 30 September 2005	25	-	10	12	47
Net book value at 30 September 2005	2	-	11	7	20
Net book value at 31 March 2005	3	-	12	8	23

10 Debtors

	to 30 Sept 2005 (£000)	2004/05 (£000)
Staff season ticket loans and expense imprests	28	35
Bank interest accrued	2	2
Other debtors	-	4
Prepayments	208	134
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11 Creditors (amounts falling due within one year)

	to 30 Sept 2005 (£000)	2004/05 (£000)
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Total	1,183	1,265

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

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.

	(£000)
At 31 March 2005	154
Overnight increase in liabilities (change in real return)	10
Current service cost	7
Interest cost	4
Actuarial loss in the period	3
Paid in year	(5)
At 30 September 2005	173

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

	Income & Expenditure Reserve (£000)	Deferred Government Grant Reserve (£000)	Total (£000)
At 1 April 2005	182	29	211
Deficit for year	(234)	–	(234)
Adjustment on pensions	(52)	(29)	(23)
Release for depreciation	(13)	–	(13)
At 30 September 2005	(65)	26	(39)

14 Impact of pension liability on income and expenditure reserve

	Notes	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Income and expenditure reserve excluding pension liability		108	336
Pension liability	12	(173)	(154)
Income and expenditure reserve	13	(65)	182

	Notes	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Income and expenditure reserve excluding pension liability		108	336
Pension liability	12	(173)	(154)
Income and expenditure reserve	13	(65)	182

14 Impact of pension liability on income and expenditure reserve

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At 30 September 2005	(65)	26	(39)

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.

12 Pension liability

Notes to the accounts continued

	Land and Buildings (£000)	Other (£000)	to 30 September 2005	2004/05
Operating leases which expire:				
Within one year	563	2	696	2
In the second to fifth years inclusive	–	1	13	1
Over five years	15	–	15	–
	578	3	724	3

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

18 Commitments under operating leases

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

17 Capital commitments

	31 Mar 2005 (£000)	Cash flow (£000)	30 Sept 2005 (£000)
Cash at bank and in hand	1,432	(373)	1,059
Bank overdraft	(1)	(107)	(108)
	1,431	(480)	951

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

	to 30 Sept 2005 (6 months) (£000)	2004/05
Operating (deficit)/surplus	(245)	166
Depreciation provided in year	3	9
Diminution in value of fixed assets	–	6
Release of deferred government grant	(3)	(9)
Increase in provision relating to operating activities	2	3
(Increase) in debtors relating to operating activities	(64)	(6)
(Decrease)/increase in creditors relating to operating activities	(128)	666
Net cash (outflow)/inflow from operating activities	(435)	835

15 Reconciliation of operating (deficit)/surplus to the net cash (outflow)/inflow from operating activities

	to 30 Sept 2005 (6 months) (£000)	2004/05
Operating (deficit)/surplus	(245)	166
Depreciation provided in year	3	9
Diminution in value of fixed assets	–	6
Release of deferred government grant	(3)	(9)
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	Land and Buildings (£000)	Other (£000)	Land and Buildings (£000)	Other (£000)
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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).

Notes to the accounts continued

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The Gambling Commission

the accounts for the six months ended 31 March 2006

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the accounts for the six months ended 31 March 2006

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The Gambling Commission Remuneration report

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

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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 Gambling Commission's policy on pay and reward. Senior managers' performance targets, achievements 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. Jenny Williams was appointed as Chief Executive to the Gaming Board for Great Britain on 17 November 2004, on terms broadly comparable with other non departmental public bodies' Chief Executives, subject to retirement at age 65. This contract continues under the Commission under Schedule 4 of the Gambling Act 2005. The contract may be terminated by either party to it giving six months' written notice.

Tom Kavanagh, Deputy Chief Executive, is a civil servant on loan to the Commission and his contract is open-ended until reaching normal retirement age of 60.

Phillip Brear was appointed as Director of Operations on 14 November 2005 for a period of three years on the Commission's standard terms.

Hazel Canter was appointed as Director of Licensing & Compliance on 3 January 2006 for a period of three years on the Commission's standard terms.

Bill Butler was appointed as Director of Corporate Services on 20 February 2006 for a period of three years. His contract is on the Commission's standard terms modified to include provision of a lease car.

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The Gambling Commission Remuneration report continued

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

	2006 (six months to 31 March 2006)	
	Salary (£000)	Benefits in kind (nearest £100)
Peter Dean Chairman	45–50 (95–100 full year equivalent)	2,400
Jenny Williams Chief Executive Officer	85–90 (150–160 full year equivalent)	–
Tom Kavanagh Deputy Chief Executive	40–45 (80–85 full year equivalent)	–
Phillip Brear Director of Operations (from 14 November 2005)	35–40 (100–105 full year equivalent)	–
Hazel Canter Director of Licensing and Compliance (from 3 January 2006)	20–25 (95–100 full year equivalent)	–
Bill Butler Director of Corporate Services (from 20 February 2006)	10–15 (95–100 full year equivalent)	300

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.

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(i) Remuneration

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

Salary and pension entitlements

The Gambling Commission Remuneration report continued

(ii) Pension benefits

2006 (6 months to 31 March 2006)

Real increase in CETV to nearest (£000)	Employees contributions and transfers (£000)	*CETV at start date nearest (£000)	*CETV at end date nearest (£000)	Real increase in pension at age 60 as at 31/03/06 and related lump sum (£000)	Accrued pension at age 60 as at 31/03/06 and related lump sum (£000)
38	91	134	0-2.5 plus 5-7.5	0-5 plus 15-20	Peter Dean Chairman
-	-	-	-	-	Jenny Williams** Chief Executive
10	785	843	0-2.5 plus 105-110	35-40 plus 105-110	Tom Kavanagh Deputy Chief Executive
-	-	-	-	-	Chief Executive
3	0	10	0-2.5	0-5	Phillip Brear Director of Operations (from 14 November 2005)
6	0	7	0-2.5	0-5	Hazel Canter Director of Licensing and Compliance (from 3 January 2006)
9	0	10	0-2.5	0-5	Phillip Brear Director of Operations (from 14 November 2005)
3	0	3	0-2.5	0-5	Bill Butler Director of Corporate Services (from 20 February 2006)

* 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.

Civil service pensions

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

(ii) Pension benefits

2006 (6 months to 31 March 2006)

Real increase in CETV to nearest (£000)	Employees contributions and transfers (£000)	*CETV at start date nearest (£000)	*CETV at end date nearest (£000)	Real increase in pension and related lump sum at age 60 (£000)	Accrued pension at age 60 as at 31/03/06 and related lump sum (£000)
38	0-2.5	91	134	0-2.5 plus 5-7.5	0-5 plus 15-20
-	-	-	-	-	-
10	0-2.5	785	843	0-2.5 plus 0-2.5	35-40 plus 105-110
9	2.5-5	0	10	0-2.5	0-5
6	2.5-5	0	7	0-2.5	0-5
3	2.5-5	0	3	0-2.5	0-5

* Cash Equivalent Transfer Value
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The Gambling Commission Remuneration report continued

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

23 June 2006

The Gambling Commission
Chief Executive and Accounting Officer

Jenny Williams

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Cash Equivalent Transfer Values

The Gambling Commission Remuneration report continued

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:

- > 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

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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 Chief Executive. The Chief Executive, who is also the Commission's Accounting Officer, will be supported by a Risk Management Committee formed for this purpose. The Board of Commissioners, supported by the Audit Committee, oversee the risk management function which operates within the Commission.

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.

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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 been established as the key forum for risk identification, recording and management. The Chief Executive, who is also the Accounting Officer, is a member of the Committee. As at 31 March 2006 no meetings of the Committee had taken place. 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;

> 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 assurance that the risks faced by the Commission are properly managed and controlled, with particular attention during this period of change on those associated with the transition from the old to new organisation and the relocation of the Commission's offices from London to Birmingham. Where control weaknesses are identified, these are drawn to the attention of senior management, who will be responsible for determining and implementing an appropriate response.

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Statement on internal control continued

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 the newly formed Risk Management Committee, 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 regularly to confirm the strategic direction of the 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 is an advisory committee of the Board of Commissioners, meet at least four times each year to review the annual financial statements, to consider 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 Risk Management Committee – The Committee, whose membership is comprised of the senior management group responsible for Operations, Policy and Corporate Services, will meet at least four times each year to plan risk management strategies, to monitor progress against those plans, and to direct any necessary action. The first meeting of this Committee took place in May 2006. Prior to this, from commencement of the Commission, 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 both day to day operations and to the transitional process.
- > Senior Management Meetings – Regular meetings of the senior management group are held 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 Commission's business; and
- > Internal Audit – An internal audit function is performed by a qualified and independent third party organisation 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.

Jenny Williams

Chief Executive and Accounting Officer
The Gambling Commission

23 June 2006

23 June 2006

The Gambling Commission
Chief Executive and Accounting Officer

Jenny Williams

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The Certificate of the Comptroller and Auditor General to the Houses of Parliament

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 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 Gambling Commission, Chief Executive and auditor

The Gambling Commission and Chief Executive are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Gambling Act 2005 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 Gambling Commission 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 Gambling Act 2005 and the Secretary of State for Culture, Media and Sport's directions made thereunder. 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 also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Gambling Commission has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

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 audited financial statements. This other information comprises only Chapters 1 to 9 and Appendices I, II, IV and V, the unaudited part of the Remuneration Report and the Management Commentary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

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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 audited financial statements. This other information comprises only Chapters 1 to 9 and Appendices I, II, IV and V, the unaudited part of the Remuneration Report and the Management Commentary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament continued

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 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.

I have no observations to make on these financial statements.

John Bourn

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

27 June 2006

27 June 2006

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
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John Bourn

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> 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.

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> 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;

Opinions

In my opinion

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.

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Basis of audit opinion

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament continued

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

2006 (6 months) (£000)	Notes	
(267)		Retained (deficit) for the year
(47)	7	(Loss) on pension liability
(314)		Total recognised (losses) since the previous Annual Report

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

2006 (6 months) (£000)	Notes	
(245)		Operating (deficit)
3		Interest receivable
(6)	7	Interest cost on pensions
(7)		Notional capital charges
(274)		(Deficit) on ordinary activities
7		Write back notional capital charges
(267)		Retained (deficit)/surplus for the year
(65)		Accumulated (deficit) brought forward
(47)	7	Adjustment on pensions
(379)	14	Accumulated (deficit) carried forward

All operations are continuing.

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

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

2006 (6 months) (£000)	Notes	
5,295	2	Grant-in-aid
195	6	Other income
5,490		Total income
(2,069)	7	Staff costs
(3,687)	8	Other operating costs
(8)	9	Depreciation
(5,764)		Total expenditure

Income and expenditure account 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)
Operating (deficit)		(245)
Interest receivable		3
Interest cost on pensions	7	(6)
Notional capital charges		(7)
(Deficit) on ordinary activities		(274)
Write back notional capital charges		7
Retained (deficit)/surplus for the year		(267)
Movement on income and expenditure reserve		
Accumulated (deficit) brought forward		(65)
Retained (deficit)/ 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.

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(Loss) on pension liability	7	(47)
Total recognised (losses) since the previous Annual Report		(314)

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

Balance sheet as at 31 March 2006

	Notes	2006 (£000)
Fixed assets		
Tangible assets	9	398
Current assets		
Debtors and prepayments	10	130
Cash at bank and in hand	17	1,889
Total current assets		2,019
Creditors (amounts falling due within one year)	11	(1,736)
Net current assets		283
Net assets excluding pension liability and other provisions		681
Pension liability	12	(232)
Other provisions	13	(14)
Net assets including pension liability and other provisions		435
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

	Notes	2006 (£000) (6 months)
Net cash inflow from operating activities		798
Returns on investment and servicing of finance		
Interest received		13
Investing activities		
Payment to acquire tangible fixed assets	9	(983)
Net cash inflow before financing		425
Financing		
Grant-in-aid for capital expenditure		386
Fee income received	4	1,314
Less Fees appropriated to DCMS		(1,191)
		509
Increase in cash	17	934

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

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Balance sheet as at 31 March 2006

Notes to the accounts

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 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 in the public sector context, in line with the guidance given 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 assets' currently anticipated life as follows:

Computer equipment	3 to 7 years
Furniture	7 to 10 years
Office equipment	7 to 10 years
Telecoms	3 to 10 years

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

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Notes to the accounts continued

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 accruing 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

The Gambling Commission is not registered for VAT and therefore all costs are shown inclusive of VAT where VAT has been charged.

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 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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Revaluation

Notes to the accounts continued

2006 (6 months) (£000)		Notes
2,416	2	Grant-in-aid
Expenditure		
306	7	Staff costs
2,108	8	Other operating costs
2		Depreciation
2,416		

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:

3 Transition team

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.

2006 (6 months) (£000)	
Gambling Commission operations	
2,871	– Resource
796	– Capital
8	plus Release of Deferred Government Grant Reserve in respect of depreciation charged
(386)	less Transfer to Deferred Government Grant Reserve in respect of fixed asset acquisitions
(410)	less Unused portion of capital grant drawn transferred to Deferred Government Grant Reserve
2,879	Total Gaming Board operations
Gambling Commission transition	
2,416	Grant drawn from DCMS for transition purposes
– Resource	
2,416	Total transition
5,295	Total grant-in-aid

2 Grant-in-aid

2 Grant-in-aid

2006 (6 months) (£000)	
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.

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2006 (6 months) (£000)		Notes
Grant-in-aid	2	
Expenditure		
Staff costs	7	
Other operating costs	8	
Depreciation		
2,416		

Notes to the accounts continued

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:

	2006 (6 months) (£000)
Section 19 certificates	325
Section 27 certificates	348
Certificates of Consent	
– Bingo	89
– Casino	205
Multiple Bingo	–
Total Gaming	967
Lotteries and Amusements Act	343
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

	2006 (6 months) (£000)
Landlord contribution to works on new offices at Victoria Square House, Birmingham	147
Recovery of CRB fees	48
	195

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Landlord contribution to works on new offices at Victoria Square House, Birmingham	147
Recovery of CRB fees	48
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4 Fee receipts

Notes to the accounts continued

7 Staff costs

a) Analysis of staff costs

	2006 2006 (6 months) (£000)	2006 2006 (6 months) (£000)	2006 2006 (6 months) (£000)	Total
	Operations	Transition	Total	
Salaries and wages	1,415	243	1,658	
Social Security costs	128	24	152	
Other pension costs				
– Included within operating profit	220	39	259	
– Included as other finance costs	6	–	6	
– Recognised in statement of total recognised gains and losses	47	–	47	
Total other pension costs	273	39	312	
Total staff costs	1,816	306	2,122	
Interest costs on pensions	6	–	6	
Adjustments on pensions	47	–	47	
Total staff costs	1,816	306	2,122	

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

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

b) 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.

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Total other pension costs	273	39	312
Total staff costs	1,816	306	2,122

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

	2006 2006 (6 months) (£000)	2006 2006 (6 months) (£000)	2006 2006 (6 months) (£000)
	Operations	Transition	Total
Staff costs	1,763	306	2,069
Interest costs on pensions	6	–	6
Adjustments on pensions	47	–	47
Total	1,816	306	2,122

b) Retirement benefits

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

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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.

Notes to the accounts continued

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £2,183 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 PCSPS 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:

	31 March 2006
Inflation assumption	2.5%
Rate on increase in salaries	4.0%
Rate of increase for pensions in payment, in line with price inflation	2.5%
Discount rate for scheme liabilities	5.4%

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

	2006 (9 months) £(000)
Analysis of amount charged to operating surplus:	
Current service cost	11
Analysis of amount charged to other finance costs:	
Interest on pension scheme liabilities	6
Analysis of amount recognised in statement of total recognised gains and losses (STRGL):	
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.

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.

	2006 (6 months) £(000)
Analysis of amount charged to operating surplus:	
Current service cost	11
Analysis of amount charged to other finance costs:	
Interest on pension scheme liabilities	6
Analysis of amount recognised in statement of total recognised gains and losses (STRGL):	
Actuarial (loss)	4
Overnight increase in liability (change on return)	(51)
Total (loss) recognised in STRGL	(47)

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

	31 March 2006
Inflation assumption	2.5%
Rate on increase in salaries	4.0%
Rate of increase for pensions in payment, in line with price inflation	2.5%
Discount rate for scheme liabilities	5.4%

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:

(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.

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

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £2,183 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 PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees.

377	
2	Other
375	Land and buildings
375	Land and buildings
2	Other
377	

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

** 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.

Total Operating Costs			
	2006 (6 months)	2006 (6 months)	2006 (6 months)
	Operations (£000)	Transition (£000)	Total (£000)
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
Other	44	12	56
Total Operating Costs	1,579	2,108	3,687

8 Other operating costs

Total Operating Costs			
	2006 (6 months)	2006 (6 months)	2006 (6 months)
	Operations (£000)	Transition (£000)	Total (£000)
Accommodation	543	78	621
Professional & accountancy fees	105	1,546	1,651
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Other	44	12	56
Total Operating Costs	1,579	2,108	3,687

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

7 Staff costs continued

Total Operating Costs			
	2006 (6 months)	2006 (6 months)	2006 (6 months)
	Operations (£000)	Transition (£000)	Total (£000)
Operational	71	13	88
Transition	13	1	14
Total	84	18	102

7 Staff costs continued

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

	2006		
	Staff	Agency	Total
Operational	71	17	88
Transition	13	1	14
Total	84	18	102

8 Other operating costs

	2006 (6 months)		
	Operations (£000)	Transition (£000)	Total (£000)
Accommodation	543	78	621
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** 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:

	2006 (6 months) (£000)
Land and buildings	375
Other	2
Total	377

Notes to the accounts continued

9 Tangible fixed assets

	Information Technology (£000)	Fixtures & Fittings (£000)	Furniture & Office Equipment (£000)	Telecoms (£000)	Total (£000)
Cost/Valuation					
At 1 October 2005	27	–	21	19	67
Revaluations	–	–	–	–	–
Additions	160	226	–	–	386
Disposals	–	–	–	–	–
At 31 March 2006	187	226	21	19	453
Accumulated depreciation					
At 1 October 2005	25	–	10	12	47
Revaluations	–	–	–	–	–
Provided in year	4	2	1	1	8
Disposals	–	–	–	–	–
At 31 March 2006	29	2	11	13	55
Net book value at 31 March 2006	158	224	10	6	398
Net book value at 30 September 2005	2	–	11	7	20

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

	2006 (£000)
Staff season ticket loans and expense imprests	29
Bank interest accrued	3
Other debtors	9
Prepayments	92
	130

11 Creditors (amounts falling due within one year)

	2006 (£000)
Trade creditors	225
Payroll	206
Other creditors	316
Bank overdraft	4
Accruals	985
	1,736

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

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Net book value at 31 March 2006	158	224	10	6	398
Net book value at 30 September 2005	2	–	11	7	20

9 Tangible fixed assets

Notes to the accounts continued

	Deferred Income & Government Grant Reserve (£000)	Expenditure Reserve (£000)	Total (£000)
At 1 October 2005	(65)	(267)	(39)
Deficit for year	–	(267)	(267)
At 31 March 2006	(332)	(47)	(306)
Adjustment on pensions	–	(47)	(47)
Grant deferred for capital purchases	796	–	796
Release for depreciation	(8)	–	(8)
At 31 March 2006	814	(379)	435

14 Reserves

At 1 October 2005	–
Provided in period	14
At 31 March 2006	14

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.

13 Other provisions

	2006 (£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

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.

12 Pension liability

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	(£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.

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

14 Reserves

	Income & Expenditure Reserve (£000)	Deferred Government Grant Reserve (£000)	Total (£000)
At 1 October 2005	(65)	26	(39)
Deficit for year	(267)	–	(267)
Adjustment on pensions	(332)	26	(306)
Grant deferred for capital purchases	(47)	–	(47)
Release for depreciation	–	796	796
	–	(8)	(8)
At 31 March 2006	(379)	814	435

Notes to the accounts continued

15 Impact of pension liability on income and expenditure reserve

	Notes	2006 (6 months) (£000)
Income and expenditure reserve excluding pension liability		(147)
Pension liability	12	(232)
Income and expenditure reserve	14	(379)

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

	2006 (6 months) (£000)
Operating (deficit)	(274)
Depreciation provided in year	8
Release of deferred government grant	(8)
Transfer to deferred government grant reserve	410
Increase in provision relating to operating activities	20
(Increase) in debtors relating to operating activities	110
Increase in creditors relating to operating activities	532
Net cash inflow from operating activities	798

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

	Notes	30 Sept 2005 (£000)	Cash flow (£000)	31 March 2006 (£000)
Cash at bank and in hand		1,059	830	1,889
Bank overdraft	11	(108)	104	(4)
		951	934	1,885

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.

15 Impact of pension liability on income and expenditure reserve

	Notes	2006 (6 months) (£000)
Income and expenditure reserve excluding pension liability		(147)
Pension liability	12	(232)
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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.

2006	
Land and buildings (£000)	Other (£000)
67	1
908	–
975	1

Operating leases which expire:

Within one year

In the second to fifth years inclusive

Over five years

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 deposits. 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.

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	2006	
	Land and buildings (£000)	Other (£000)
Operating leases which expire:		
Within one year	67	1
In the second to fifth years inclusive	–	–
Over five years	908	–
	975	1

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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	
	New
Casinos licences	
Grant	31,063
Renewal	9,395
Transfer	8,561
Bingo licences	
Grant	4,232
Renewal	1,778
Transfer	1,827
Casino certificate of consent	
New licence	8,938
Transfer of licence	5,586
Bingo certificate of consent	
New licence	235
Transfer of licence	120
Certificate to organise games of multiple bingo	
Grant	173,680
Renewal (for 3 years)	166,400
Registration of club or institute	
Part II	235
Renewal of registration	120
Part III	115
Renewal of registration	70
Employees certificate of approval (Section 19)	
Certificate of approval	222
Gaming machines	
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

England, Wales and Scotland
From 1 April 2006

New

31,063

9,395

8,561

4,232

1,778

1,827

8,938

5,586

8,852

166,400

173,680

235

120

115

70

222

7,000

4,789

Gaming machines
Renewal of certificate for the sale, supply or maintenance of gaming machines
Grant of certificate for the sale, supply or maintenance of gaming machines

Employees certificate of approval (Section 19)
Certificate of approval

Registration of club or institute
Renewal of registration
Part III

Part II
Renewal of registration

Registration of club or institute

Renewal (for 3 years)

Certificate to organise games of multiple bingo
Grant

Transfer of licence

Bingo certificate of consent
New licence

Transfer of licence

Casino certificate of consent
New licence

Transfer of licence

Transfer

Renewal

Grant

Bingo licences

Transfer

Renewal

Grant

Casinos licences

Appendix IV:

Gaming and lotteries fees – 2006|07

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

	New
Lotteries	
Application for registration of society or local authority lottery scheme	5,152
Renewal of registration of society or local authority lottery scheme (three yearly)	202
Lottery with turnover (total value of tickets or chances sold) of:	
£2,000 or less	Nil
More than £2,000 to £10,000 (no fee payable for eighth and subsequent lotteries in same calendar year)	111
More than £10,000 to £20,000 (no fee payable for eighth and subsequent lotteries in same calendar year)	111
More than £20,000 to £50,000	111
More than £50,000 to £200,000	324
More than £200,000	487
Application for certification as a lottery manager under Schedule 2A	15,907
Inspection of lottery return by member of the public	10

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.

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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

England

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

The areas of the Former County Boroughs, Non-County Boroughs and Urban Districts of:

	01 April 05	31 March 06		01 April 05	31 March 06
Birkenhead	1	1	Northampton	2	2
Birmingham	6	7	Nottingham	3	2
Blackpool	3	3	Plymouth	2	2
Bolton	2	2	Portsmouth	3	3
Bournemouth	2	2	Ramsgate	1	1
Bradford	2	2	Reading	2	2
Brighton	3	3	Ryde	0	0
Bristol	4	4	Salford	2	2
Coventry	2	2	Sandown/Shanklin	0	0
Derby	2	2	Scarborough	1	2
Dudley	1	1	Sheffield	3	3
Great Yarmouth	2	2	Southampton	3	3
Hove	1	1	Southend-on-Sea	3	3
Huddersfield	1	1	Southport	1	1
Kingston-upon-Hull	2	2	Stockport	2	2
Leeds	4	4	Stoke-on-Trent	2	2
Leicester	3	3	Sunderland	1	1
Liverpool	4	4	Teesside/Middlesbrough	1	1
Luton	3	3	Torbay	1	1
Lytham St Annes	1	1	Walsall	2	2
Manchester	6	6	Warley	0	0
Margate	2	2	West Bromwich	1	1
Newcastle upon Tyne	3	4	Wolverhampton	2	2

Wales

The Areas of the Former County Boroughs of:

Cardiff			3	3
Swansea			1	1

Scotland

The Areas of the Former Counties of the Cities of:

Aberdeen			2	2
Dundee			1	1
Edinburgh			4	4
Glasgow			5	5

Total			138	140
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Bradford	2	2	Reading	2	2
Brighton	3	3	Ryde	0	0
Bristol	4	4	Salford	2	2
Coventry	2	2	Sandown/Shanklin	0	0
Derby	2	2	Scarborough	1	2
Dudley	1	1	Sheffield	3	3
Great Yarmouth	2	2	Southampton	3	3
Hove	1	1	Southend-on-Sea	3	3
Huddersfield	1	1	Southport	1	1
Kingston-upon-Hull	2	2	Stockport	2	2
Leeds	4	4	Stoke-on-Trent	2	2
Leicester	3	3	Sunderland	1	1
Liverpool	4	4	Teesside/Middlesbrough	1	1
Luton	3	3	Torbay	1	1
Lytham St Annes	1	1	Walsall	2	2
Manchester	6	6	Warley	0	0
Margate	2	2	West Bromwich	1	1
Newcastle upon Tyne	3	4	Wolverhampton	2	2

Wales

The Areas of the Former County Boroughs of:

Scotland

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Dundee	1	1
Edinburgh	4	4
Glasgow	5	5
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