

Annual Report 2007|08



**GAMBLING
COMMISSION**

Report of the Gambling Commission 2007/08

Presented pursuant to the Gambling Act 2005 paragraph 16 of Schedule 4

Ordered by the House of Commons to be printed 21 July 2008

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 from being harmed or exploited by gambling.

The Commission also provides independent advice to government on gambling in Great Britain.

Commissioners 2007/08

Brian Pomeroy CBE, Chairman (from 1 January 2008, a Commissioner from 1 October 2007)

Peter Dean, CBE, Chairman (to 31 December 2007)

Ben Gunn, CBE, QPM

Bill Knight

Rachel Lampard

Andrew McIntosh

Gill Milburn, JP

Roy Penrose, OBE, QPM

Eve Salomon

Michael Steen OBE (to 31 August 2007)

Peter Teague (from 1 September 2007)

Jenny Williams (Chief Executive)

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Chairman's statement

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 paragraph 16 (1) of Schedule 4 to the Gambling Act 2005 I have the honour to present the third report of the Gambling Commission (the Commission), covering the period 1 April 2007 to 31 March 2008. This report covers the second full year's activities of the Gambling Commission. The Commission was created by the Gambling Act 2005 (the 2005 Act) which came fully into force on 1 September 2007.

It has been a significant year for the whole of the gambling industry as well as for the Commission. The 2005 Act came fully into force on 1 September 2007 covering betting, remote gambling and arcades for the first time as well as casinos, bingo, lotteries and gaming machines. The land-based industry has had to contend with the smoking ban and changes to the tax regime; and we have seen the continued growth of remote forms of gambling.

The challenges for the Commission have been many - from developing the framework for regulation under the 2005 Act to the re-licensing of the whole industry. It is greatly to the credit of Commission employees that we achieved so



much during the year with relatively few problems or complaints.

Our priorities are to permit gambling in the public interest and to be effective in delivering the statutory licensing objectives:

- to keep crime out of gambling
- to ensure that gambling is conducted fairly and openly
- to protect children and other vulnerable people from being harmed or exploited by gambling.

Ultimately, it is achieving these regulatory outcomes that counts. We will continue to take a proportionate approach, working with the industry to ensure compliance but using the powers that the Act provides to deal effectively with illegal activity. Effective regulation is not just in the wider public interest, but also in the long term interests of the industry itself.

The Commissioners

We owe great thanks to Peter Dean who, as Chairman, saw the Commission - and its predecessor, the Gaming Board - through a decade of change. Before his retirement at the end of 2007 he played a significant part in modernising gambling regulation and led the Commission through the demanding period of change leading up to 1 September 2007 when the 2005 Act came into force. It is a privilege to have taken over from him as Chairman.

Michael Steen also retired at the end of August 2007 and we thank him for his contribution as Chairman of the Audit Committee and as a commissioner. Peter Teague joined the Commission on 1 September and took over as Chairman of the Audit Committee.

A handwritten signature in black ink that reads "Brian Pomeroy". The signature is written in a cursive, slightly slanted style.

Brian Pomeroy
June 2008



Chief Executive's report

This report covers the financial year 1 April 2007 to 31 March 2008, a significant year as the 2005 Act came fully into force on 1 September 2007. The report also looks beyond the end of the financial year at events and activities which have occurred between the end of March and the date of publication.

The focus of our activity during the period changed as the year progressed. At the start we undertook a major recruitment and training programme to ensure that we could license the whole of the gambling industry by 1 September and, by the end of the year, had reduced to staffing levels in line with future requirements. We developed systems to ensure that licence applications were processed efficiently and that fees could be paid easily; and our enquiries team dealt with over 25,000 calls, of which over half related to licence applications. By 1 September we had successfully re-licensed most of the industry, almost doubled the size of the home-based compliance team and had trained our employees in the new requirements of the 2005 Act.

Following extensive consultation the Commission's licence conditions and codes of practice (LCCP) were published in June 2007 and came into force on 1 September 2007. These set out the regulatory framework within which licensed operators must provide facilities for gambling.

We also published a prevalence survey we had commissioned on the incidence of gambling and problem gambling that provides a benchmark against which we can judge the effectiveness of the new regulatory regime. The Commission has

now been asked by the Department for Culture, Media and Sport (DCMS) to review the way in which research, education on responsible gambling and problem gambling treatment programmes are determined and funded, and to make recommendations. We will be reporting back at the end of September.

In the second half of the year, the focus moved from relicensing the industry towards working with it to ensure that licensed operators fully understand and comply with the new requirements placed on them by the Act and LCCP. We also focussed on combating illegal gambling such as high stakes commercial poker outside casinos, betting in pubs and the illegal supply of machines. Not surprisingly in the first year of new legislation, we have had to devote considerable time and effort to discussing with operators and others how the new statutory provisions work in practice and already we can see a number of ways in which the current licence conditions and codes can be improved.

Corporate plan

During the year we also developed a new Corporate Plan which covers the period 1 October 2007 to 31 March 2011. The plan reflects the outcomes of many consultations that the Commission conducted in 2006 and 2007, including meetings and workshops with the industry and other stakeholders. It sets out planned activities up to 31 March 2009 and, at a high level, the objectives for the following two years and sets new strategic objectives for the Commission to reflect the full implementation of the 2005 Act. In short, we will deliver our responsibilities by regulating gambling in the public interest, providing authoritative advice on gambling and its regulation, engaging with stakeholders and developing our employees and organisation.

Relations with the gambling industry and other stakeholders

We continued to build constructive relationships with all the industry sectors during the year and with other stakeholders, such as faith groups and charities and with other regulators and law enforcement bodies here and abroad.



Stakeholder involvement in the development of the regulatory regime is critically important and we are still establishing the most effective ways of achieving it.

The year has been a demanding and challenging one for both the Commission and the gambling industry and the coming year looks set to be equally challenging. But I am confident that with the continuing support and commitment of Commission employees we will be able to build on the start we have made and maintain Great Britain's reputation for proportionate, fair and firm gambling regulation.



Jenny Williams
Chief Executive

June 2008



The Gambling Commission at the 2007 Betting Show

Highlights of 2007/08

- Publication of LCCP in June 2007 plus 207 issues papers, consultation and responses documents published during the year.
- 4,199 operating licence applications and 1,293 personal licences determined by 1 September.
- Effective transition to regulation under the 2005 Act from 1 September 2007.
- Ensured continuing compliance throughout the year during the transfer from the Gaming Act 1968 to the Gambling Act 2005.
- Publication of Gambling Prevalence Survey 2007 in September 2007.
- Appointment of two new Commissioners – Peter Teague who replaced Michael Steen when he retired on 31 August 2007, and Brian Pomeroy who succeeded Peter Dean as Chairman when he retired on 31 December 2007.
- Successful introduction of regulatory returns including an online submission option.
- Creation of a Regulatory Panel made up of a rotating body of Commissioners. This panel decides on complex or problematic licensing decisions and all regulatory sanctions above a warning letter.
- Over 1,000 complaints concerning operators were handled during the year, of which 81 were referred to our enforcement team. Following investigation 17 personal licences and 10 certificates were revoked by the Regulatory Panel during the year (see chart on page 14).
- Consultations were held on a range of topics including integrity in sports betting, in running betting and, jointly with DCMS, on fees.
- Enforcement activity was concentrated on areas where breaches of the 2005 Act were identified, such as illegal gaming machine suppliers.



Background

The gambling industry in Great Britain is substantial, with a turnover of over £84.2 billion in 2006/07¹. Gross gambling yield (ie the amount retained by operators after the payment of winnings but before the deduction of the costs of the operation) was estimated at £9.9 billion in 2006/07, 1.9% higher than in 2005/06. Other estimates suggest that 25% of this £9.9 billion was generated by the National Lottery and most of the remainder by those industries which, since 1 September 2007, are regulated by the Commission.

The Commission's remit

The Commission was established under the Gambling Act 2005 and became fully operational on 1 September 2007. It has taken over the role previously played by the Gaming Board for Great Britain in regulating casinos, bingo, gaming machines and lotteries and in addition now has responsibility for the regulation of betting, arcades and remote gambling.

The Commission is not responsible for regulating spread betting or the National Lottery which are the responsibility of the Financial Services Authority and the National Lottery Commission, respectively.

The Commission is an independent body, funded in the main by licence fees paid by the gambling industry, with a general responsibility for advising national and local government on the incidence of gambling, the way it is carried out, its effects and its regulation. The Commission is a Non-Departmental Public Body (NDPB), sponsored by DCMS.

The licensing objectives

The 2005 Act charges the Gambling Commission with the duty of pursuing the three strategic licensing objectives:

- to keep crime out of gambling
- to ensure that gambling is conducted fairly and openly
- to protect children and other vulnerable people from being harmed or exploited by gambling

and to permit gambling insofar as the Commission thinks it is reasonably consistent with those objectives.

The Gambling Act 2005

The 2005 Act replaced three earlier Acts², making significant changes to the way in which gambling regulation takes place, notably:

- operators offering gambling in Great Britain have to be licensed by the Commission
- operators have to comply with LCCP, issued by the Commission and developed following extensive consultation with the industry and other stakeholders, and which further the three licensing objectives
- the Commission has discretion to apply licence conditions both generally to all holders of licences and to individual operators
- the Commission monitors licence holders and has wide ranging powers including the imposition of fines, revocation of licences and prosecution of illegal gambling.

Other key changes following the full implementation of the 2005 Act include:

- remote gambling (eg online, by mobile phone) operators are permitted to locate in Great Britain, subject to licensing and regulation
- local authorities, rather than licensing justices, are now responsible for licensing gambling premises in England and Wales
- some of the restraints applicable to commercial gambling (such as in relation to advertising) have been eased - but licensed operators are subject to a social responsibility code
- four categories of gaming machines have been introduced, including one that covers fixed odds betting terminals (FOBTs). The categories are defined by different levels of stakes and prizes.

¹ HM Revenue and Customs Statistical Bulletins, Office for National Statistics, DCMS estimates based on industry trends

² Betting, Gaming and Lotteries Act 1963, the Gaming Act 1968 and the Lotteries and Amusements Act 1976

Consultation and policy implementation

The programme of consultation with trade bodies, local authorities, faith groups, problem gambling charities and other stakeholders, as well as with DCMS, continued in 2007/08 in the build up to and following the introduction of the 2005 Act. One to one discussions, meetings and workshops were held with key stakeholders involving vigorous and constructive debate. In addition, the Commission used a range of channels to explain its new role and its growing programme of activity, including its website, a fortnightly e-bulletin, leaflets and industry specific briefings.

In total the Commission published 207 documents during 2007/08, covering advice and guidance for the industry, consultations, policy statements and technical standards. Of these, 108 documents were published prior to 1 September 2007 when the 2005 Act came into force.

Key policy documents produced during 2007/08

Compliance and enforcement policy statement (June 2007)

Gambling advertisements and impact on responsible gambling (June 2007)

Guidance to licensing authorities (June 2007)

LCCP 2007 (June 2007)

Remote technical standards (June 2007)

Regulatory returns and guidance notes (August 2007)

Integrity in sports betting (October 2007)

Prize competitions and free draws guidance (November 2007)

Prevention of money laundering guidance for casinos (December 2007)

Gaming machine technical standards (February 2008)

Corporate governance framework (February 2008)

All our consultation and policy documents are available on our website at www.gamblingcommission.gov.uk

Problem gambling

(for further information see section on Research, Education and Treatment on page 18)

The Commission recognises that, for a minority of people, gambling can be addictive and lead to a range of problems for individuals and their families. The Commission works closely with DCMS to ensure that problem gambling is adequately understood and researched. Last September the British Gambling Prevalence Survey was published (see page 18 for further details) which showed that between 0.5 and 0.6% of the adult population (about 284,000 adults) have a problem with gambling (the same percentage of the population as identified in a prevalence survey in 1999).

The Commission worked closely with the Responsibility in Gambling Trust (RIGT) during the year. RIGT is an independent charity set up to tackle problem gambling through the funding of treatment, education and research and it is mostly funded through voluntary contributions from the gambling industry. In turn, RIGT funds the work of GamCare which offers telephone, face-to-face and online counselling services, and Gordon House, which provides residential treatment and a range of research and education initiatives including the 'gambleaware' website.

Tom Kavanagh, the Commission's deputy Chief Executive is a trustee of RIGT and Rachel Lampard, a Commissioner was a trustee until 25 September 2007 when she resigned to lead the Commission's work on a review of research, education and treatment.

Building relationships with stakeholders

The Commission has continued to build working relationships with a range of organisations outside the gambling industry, such as the police, HM Revenue & Customs (HMRC), the Serious Organised Crime Agency (SOCA) and local authorities (primarily via the Local Authorities Coordinators of Regulatory Services (LACORS) and the Convention of Scottish Local Authorities (COSLA)). There are also constructive working relationships with other regulators such as Ofcom, the National Lottery Commission and Phonepay Plus.

A partnership agreement is in place with SOCA and a memorandum of understanding (MOU) has been developed with HMRC, the Horserace Betting Levy Board and the Charity Commission. Four further MOUs are due for completion shortly, with the British Horseracing Authority, Phonepay Plus, the Association of Chief Police Officers and the Independent Betting Adjudication Service (IBAS) and discussions are underway for MOUs with the Football Association and the International Cricket Council.

During the year, Commission representatives undertook 50 external speaking engagements, including 13 to trade associations, eight for the Institute of Licensing and nine promoting better European and international understanding of gambling regulation in Great Britain.



A Compliance Managers' meeting

Regulating the commercial gambling industry in Great Britain

Under the 2005 Act, “Anyone who wishes to provide facilities for gambling, or to manufacture, supply, install, repair or adapt a gaming machine or gambling software from 1 September 2007 is required to hold a licence authorising the specific activity to be undertaken.”

Between 1 January and 1 September 2007 nearly 2,500 operating licence applications were processed. Of these, 2,357 existing operators,

the majority of the industry, applied by 27 April 2007 and were therefore able to continue to operate after 1 September even if their application had not been determined. In all, by 31 March, 4,199 operating licences and 3,861 personal licences had been determined with 3,428 operators licensed across all industry sectors (some operators applied for more than one category of licence).

Operator Licences determined between 1 April 2007 and 31 March 2008	Non remote					Remote			Totals		
	A	B	C	D	E	F	G	H	Non remote	Remote	Total
New Casinos		2	2			16	2	1	4	19	23
Existing Casino	40	33	3						76	0	76
Bingo	195	14	2		2	8		1	222	9	231
General Betting (Standard)	571	47	13	5	5	64	14	2	721	80	801
General Betting (Limited)	341	191	47						579	0	579
General Betting (Telephone Only)						43			0	43	43
Pool Betting	26	4				27	1		30	28	58
Betting Intermediary	4					14	1	1	4	16	20
Gaming Machine General: AGC	507	73	14	6	1				601	0	601
Gaming Machine General: FEC	313	16	4	2	1				336	0	336
Gaming Machine Technical: Full	20	25	12			4	10	4	75	18	93
Gaming Machine Technical: Supplier	124	14	2			2	1		143	3	146
Gaming Machine Technical: Software	9	1				3	1		10	4	14
Gambling Software	31	12	4			29	8	5	89	42	131
External Lottery Manager	4	7	9			9	4		33	13	46
Society Lottery	22	26	22			16	5	4	95	25	120
Converted Lottery*	277	96	69						442	0	442
Converted Machine*	439								439	0	439
Totals	2923	561	203	13	9	235	47	18	3899	300	4199

In addition 375 remote ancillary licences were determined

* Two types of permissions existing when the 2005 Act came into force were carried forward without the requirement to undergo a licence renewal process:

- Machine suppliers licences issued under section 27 of the Gaming Act 1968 are carried forward until their existing renewal date but holders of such licences must comply with the conditions that apply under the new legislation.
- The certificates for society lotteries under the Lotteries and Amusements Act 1976 were converted to licences under the 2005 Act. These certificates lasted for three years and when they expire, holders are required to apply for licences under the new regime.

At the same time the Commission continued to process certificates of approval under the Gaming Act 1968 (the 1968 Act) and details are included at Appendix 3.

The success of the re-licensing operation was due in a large part to an extensive communications campaign that was strongly supported by the industry and other stakeholders such as LACORS. It included licensing staff taking part in meetings and surgeries for potential applicants, giving media interviews and distributing sector specific leaflets, press articles, newsletters and letters sent via trade bodies to their members.

Commission employees developed processes and systems to ensure that the licence application process ran smoothly throughout the year and in November 2007 carried out a survey with operators to gather suggestions on how it could be further improved. Overall the comments from operators were positive, with an appreciation that the Commission was operating in a new regulatory environment governed by a new Act.

A review of the licensing process is now underway, incorporating the key findings from the survey and improved application forms will be available from the middle of 2008.

The Commission expects that, once licensed, operators and individuals working in the industry

intend to be law-abiding and compliant with regulation. We aim to ensure that compliance covers all aspects of regulation - the licensing objectives, licence conditions and codes of practice - and are committed to the five principles of better regulation which means that we regulate in a proportionate, accountable, consistent, transparent and targeted manner. In addition, the Commission has taken into account better regulation best practice as set out in the Hampton review³ and the Macrory characteristics⁴.

Prior to 1 September 2007 the Commission retained powers under the 1968 Act. During this time it carried out and reported on a number of investigations concerning the fitness and propriety of section 19 (under the 1968 Act) certificate holders in the casino industry.

Since 1 September 2007 the Commission has had a greater range of regulatory sanctions available including the power to issue formal warning letters, impose financial penalties and to suspend or revoke a licence. Up to 31 March 2008, 81 cases were referred to the Commission for investigation (detailed below by industry sector). Of these, 15 were adopted for criminal investigation and 18 were referred to the Commission's Regulatory Panel (17 cases resulted in revocations, one in the imposition of an individual licence condition).

Enforcement referrals	1 January 2008 to 31 March 2008	1 September 2007 to 31 December 2007	Totals
Casino	23	26	49
Bingo	4	4	8
Lottery	1		1
Gaming Machines	4	2	6
Adult Gaming Centres (AGC) / Family Entertainment Centres (FEC)	3	1	4
Betting	9	3	12
Remote		1	1
Total	44	37	81

³ Hampton review on regulatory inspections and enforcement published on 16 March 2005 and updated on 28 November 2006

⁴ Macrory Review of Regulatory Penalties-28 November 2006

The table below sets out the detail of those cases heard by the Regulatory Panel between 1 April 2007 and 31 March 2008 where the Panel concluded that revocation was appropriate:

Reasons for revocations	Personal Licences (2005 Act) 1 September 2007 to 31 March 2008	Certificates (1968 Act) 1 April 2007 to 31 August 2007	Full year 2007/08	Full year 2006/07
Theft from employers/falsifying records/misappropriating company funds	13	5	18	11
Incurring convictions after the issue of a S19 certificate (excluding drug-related convictions)	0	0	0	2
Theft from colleague/casino member	0	0	0	1
Collusion with players	0	0	0	2
Visiting and gaming in another casino	0	2	2	2
Involvement with drugs (including drug related convictions)	0	1	1	4
Violent offences	2	0	2	0
Failure to follow procedures	2	0	2	0
Others	0	2	2	6
Total	17	10	27	28

In addition on two occasions the Commission's directors have exercised their delegated powers to suspend operating licences pending a full regulatory hearing. In both cases the licensee asked for the suspension to be reviewed by the Regulatory Panel. In one case the decision was upheld and in the other the suspension was replaced by the imposition of a specific condition on the operator's licence but with no criticism by the panel of the initial suspension.

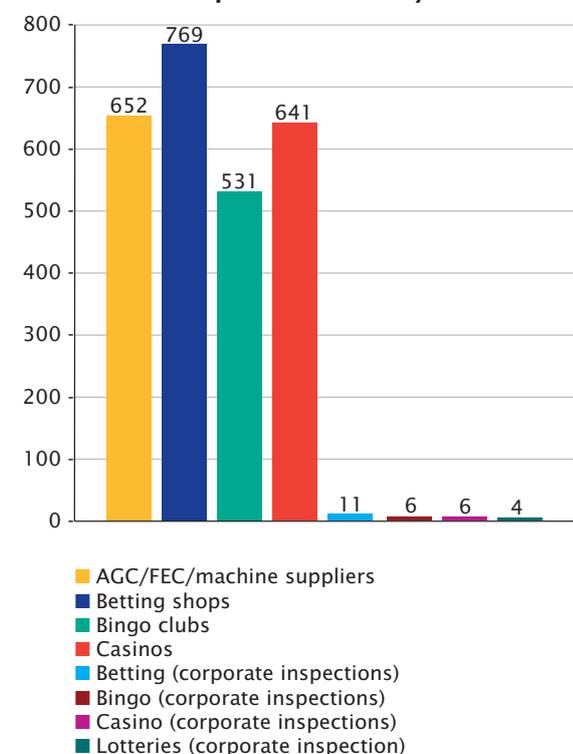
We also worked closely with other agencies such as local authorities on joint operations including dealing with illegally sited gaming machines (in, for example, takeaways and taxi offices) and tackling organised illegal machine supply. Good support has been received from the police and regional asset recovery teams.

Internally, compliance managers and other enforcement personnel work closely with the Commission's operational intelligence unit. The

information produced by the compliance managers informs the development of the Commission's understanding of risk in terms of resource management and deployment.

During the year our compliance managers made six corporate inspection visits to major casino operators, six to bingo operators, 11 to major betting companies and four to lottery operators. In addition 641 inspections were carried out to casinos, 531 to bingo clubs, 769 to betting shops and 652 to adult gaming centres, family entertainment centres and machine suppliers. All these visits were to ensure compliance under the 1968 Act (to 1 September 2007) and understanding of and compliance with the 2005 Act.

Number of compliance visits by sector



Details of regulatory activity under the 1968 Act can be found at Appendix 3.

Technical standards and testing regime

From 1 September 2007 the Commission's technical standards came into force, covering remote standards, gaming machines and bingo and casino equipment. We also published requirements for testing compliance with the technical standards and statutory regulations. High stakes prizes machines (categories A, B1, B2⁵, B3 and B3A) must be tested by a testing house which is approved by the Commission and accredited by the United Kingdom Accreditation Service (UKAS) or an equivalent international organisation for BS EN ISO 17025 (general requirements for the competence of testing and calibration laboratories). Other machines (categories B4, C & D) may be tested by an approved testing house or by the manufacturer, provided that any such testing follows best practice and they are able to demonstrate compliance with the standards and regulations.

⁵ Previously known as FOBTs

Regulatory returns

The Commission requires a range of information from all licensed operators in order to monitor compliance with gambling legislation and LCCP, as well as to inform our understanding of the industry. The start point for the collection of information for regulatory returns was 1 October 2007 and since January 2008 operators have been able to submit their returns online. Most returns are annual and while the timing of returns is dependent on an organisation's year end, nearly 700 operators had submitted their first return by 31 May 2008.

Enquiries and complaints

In total 22,513 enquiries were received during 2007/08, of which 98% were dealt with within three days. Of these, during the first half of the year the most common enquiries were about the licensing process.

As part of the Commission's drive to build constructive working relationships with its stakeholders, there is now a dedicated team looking after local authority enquiries.

An average of 87 complaint cases against operators were received every month. Many of these covered casino and other sector employees who hold functional and management licences and involved activities including dishonesty, collusion, cheating by gaming employees in other casinos, convictions for relevant offences and other conduct casting doubt on their suitability to hold a licence.

Integrity in sports betting

The Commission is concerned with integrity issues in sports when they affect or are affected by betting (it is not looking at, for example, doping or drunken footballers). The sports governing bodies are responsible for ensuring that their rules are adhered to and for disciplining players who break their rules. The Commission is involved when the relationship between sports and betting has an impact upon the licensing objectives.

During the year the Commission introduced a licence condition requiring betting operators to share information on suspicious betting patterns, which may have an effect on integrity in sports betting.

In May 2007, the integrity in sports betting issues paper was published covering a number of issues for discussion, including evidence of integrity concerns, sports betting audit and risk-assessment, education on integrity and the code of practice ten point plan. Following this, in October, a policy position paper was published that summarised the Commission's views and indicated that the situation would be kept under review.

Dialogue continues with sports governing bodies and with the betting industry on this topic and we have developed our intelligence sources to keep abreast of any emerging integrity in sports betting issues. Our first monitoring report on sports betting activity will be published in the autumn of 2008.

Poker

The popularity of poker, both as a high stakes game and as a leisure pursuit continues. Poker offered on the internet continues to grow in popularity and has a level of overlap with face to face poker as online operators sponsor poker tournaments and offer seats at national or international poker tournaments as prizes.

The general policy, reflected in the 2005 Act, is that commercial poker with high stakes and prizes should only take place in a regulated casino environment. There are a few exemptions, for example, a small number of card clubs who carry out, or will carry out, this activity under a converted casino licence and additionally, non-commercial members' clubs or miners' welfare institutes that may offer poker with unlimited stakes and prizes, if they have been granted a club gaming permit by the relevant licensing authority. However, the club or institute must be established and conducted wholly or mainly for purposes other than gaming. The Act also allows for the playing of poker with low stakes and prizes in a social context in pubs and clubs (subject to strict limits on stakes and prizes) without the need for a licence or permit.

A number of clubs are still operating outside the statutory requirements, without permits or are breaching new advertising regulations. The Commission encourages local authorities to take enforcement action in such cases and has, to date, assisted authorities in investigating clubs applying for club gaming permits. Our enforcement activity continues to focus on dealing with the issue of the playing of poker with high stakes and prizes in clubs and, to a lesser extent, pubs.

Advertising

Before the 2005 Act came into force the Commission took part in the consultation on and then publication of the Committee of Advertising Practice (CAP) and the Broadcast Committee of Advertising Practice (BCAP) codes on advertising of gambling.

From 1 September 2007 virtually all of the previous restrictions on the advertising of gambling were reformed and as a result, advertising is now allowed providing it is consistent with the relevant codes of practice.

The Commission requires licensees to comply with the BCAP and CAP advertising codes of practice. We also supported the industry in the introduction of a voluntary industry code which includes the requirement for a gambling awareness website ('gambleaware') address in all advertisements.

The Advertising Standards Authority is the monitoring body for advertising and in April 2008 it published its first adjudications resulting in the removal of advertisements by two operators. It also undertook a survey during September 2007 that found that only 1% of gambling advertisements breached the new codes, with only 0.3% of internet advertisements being in breach.

Advertising of remote gambling sites

Advertising of remote gambling sites in Britain is only permitted by operators regulated by the Commission or by operators based in the European Economic Area (EEA), including Gibraltar, or in a white listed jurisdiction (see page 20 for more information on white listing).

Money laundering

The Commission aims to work collaboratively with land based and remote casinos to enable them to achieve compliance with the Money Laundering Regulations 2007. As part of this strategy a forum has been established with Commission representatives and money laundering reporting officers from the casino industry to look at issues arising from the regulations and best practice.

In December 2007, LCCP was revised to reflect new guidance issued to remote and non-remote casino operators on the prevention of money

laundering and combating the financing of terrorism. Further guidance to all other operators was issued for consultation in June 2008 on duties and responsibilities under the Proceeds of Crime Act 2002. Once this is in place the forum will be expanded to include money laundering reporting officers from non casino operators.

The results of a pilot assessment of compliance with the Commission's guidance and the regulations were encouraging; compliance will be assessed and monitored on a nationwide basis by the end of summer 2008.



Research, education and treatment

Under the 2005 Act the Commission has a responsibility to give advice to the Secretary of State (DCMS) on the incidence of gambling, the manner in which gambling is carried out, the effects of gambling and the regulation of gambling. One major way in which the necessary data can be obtained is by completing regular prevalence surveys, building on the initial survey that was commissioned by GamCare and published in June 2000. The first such survey undertaken on behalf of the Commission was published in September 2007.

The Commission also continues to work closely with partners such as DCMS, the National Lottery Commission and RIGT to contribute to a national body of gambling-related research.

The British Gambling Prevalence Survey 2007

The British Gambling Prevalence Survey is a large-scale nationally representative survey of participation in gambling and the prevalence of problem gambling in Britain. It was funded by the Commission, but undertaken independently by the National Centre for Social Research to help the Commission understand the nature and scale of gambling in Britain at a point before the 2005 Act was implemented on 1 September 2007.

The survey found that about 32 million adults (68% of the adult population) had participated in some form of gambling activity within the past year compared to about 33 million adults (72%) in 1999. Excluding people who had only gambled on the National Lottery Draw in the last year, about 23 million (48% of the population) had participated in another form of gambling in the past year compared to about 22 million adults (46%) in 1999.

The most popular gambling activities in Britain in 2007 were the National Lottery Draw (57%), scratchcards (20%), betting on horse races (17%) and playing slot machines (14%)

Only a small proportion of people (6%) used the internet to gamble and 3% used FOBTs, now known as B2 machines).

The survey respondents were more negative than positive in their attitudes towards gambling. The average view was that gambling was more harmful than beneficial for individuals and for society, and should not be encouraged. However, people also agreed that individuals should have the right to gamble and therefore rejected total prohibition.

Research in 2007/08

The Commission received grant-in-aid (GIA) funding for 2007/08 to spend on research projects and similar funding has been agreed for 2008/09 and 2009/10. Part of this funding is being used to finance a review of Research, Education and Treatment (RET), part has been allocated to fund 2008 expenditure on completing the Prevalence Survey and initial secondary analysis of the data from it and the remainder is being used to fund a series of small scale short term research projects. These include literature reviews on children and gambling, on cashless technologies, a qualitative study on recovery from problem gambling and desk research on high stake, high prize machines.

Review of RET

Towards the end of 2007, the Commission was asked by DCMS to carry out a review of the effectiveness and level of the current voluntary arrangements for the industry's funding for gambling research, treatment and public education. This review is being led by Rachel Lampard, one of the Commissioners⁶. It will include comment on funding levels, how the money is spent, and whether a statutory levy (allowed for in the 2005 Act) should be considered to support these activities. The Commission will report to DCMS on the outcome of the review at the end of September 2008.

⁶ Stephen Dunmore, ex Chief Executive of the Big Lottery Fund has taken over this role while Rachel Lampard is on maternity leave



International activities

Remote gambling

The Commission now regulates both remote gaming and remote betting. Under previous legislation the only type of remote gambling permitted was betting (under a betting permit).

By the end of March 2008, 300 remote licences had been issued to over 160 operators, with the majority of these covering remote betting only (remote betting licences cover telephone usage as well as online betting). However operators are tending to position their remote gaming offshore which means that the majority of remote gaming sites accessible by British citizens are not regulated by the Commission.

Advertising of remote sites in Great Britain is only permitted by operators regulated by the Commission or by operators based in the European Economic Area (including Gibraltar) or in a 'white listed' jurisdiction.

White listing is the term used to cover a jurisdiction that has successfully applied to the Secretary of State (DCMS) for approval for its operators to advertise in Great Britain. It indicates that the Secretary of State considers that the jurisdiction has a robust regulatory environment and that continuous licensing and regulatory enforcement of gambling operations takes place within that jurisdiction. DCMS has approved three states for this purpose Alderney, Isle of Man and Tasmania.

Relationship with international regulators

The Commission continues to maintain and develop relationships with a range of gambling bodies and regulators in other jurisdictions. Commission representatives attended a number of events with overseas regulators including the annual conference of the Gaming Regulators European Forum (GREF) chaired by the Commission's deputy Chief Executive, and the annual conference of the International Association of Gaming Regulators (IAGR). The Commission's Chief Executive is a member of the IAGR steering committee and chairs the IAGR working group on remote gambling.

In addition Commission employees hosted a number of visits from overseas regulators including Norwegian, Swedish and Danish delegations.

The Commission continues to advise the Foreign and Commonwealth Office (FCO) on matters relating to overseas gambling developments and legislation and also to assist other jurisdictions, at the FCO's request eg the Turkish Republic of Northern Cyprus.

The Commission and its people

Employees

During the period 1 April 2007 to 31 March 2008, the Commission completed its initial recruitment programme and, at the peak of its workload leading up to the implementation of the 2005 Act, had a maximum of 300 employees including temporary staff and consultants.

Newly recruited employees are put through induction programmes and both new and existing employees are trained in our processes and relevant legislation. The Commission has continued to develop teams and promote inter-directorate team building across the organisation through events such as an outward bound course and an employee conference. Employee feedback was gathered on what it feels like to work in the Commission through an employee survey. Focus groups were set up following the survey and an action plan developed and implemented.

During 2008, the Commission is working towards achieving the Investors in People Award, developing a comprehensive management and leadership programme and marked its commitment to sustainability with an event on World Environment Day.

Diversity

The Commission has developed its first Single Equalities Scheme and accompanying action plan to improve its approach to diversity over the coming years. An e-learning diversity module has been launched, plus a programme called 'Real Experience' which enables employees to raise their awareness of diversity issues and other sectors of the local community by working with local organisations.

Employee and diversity statistics are included at Appendix 2.

Commissioners

Details 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 Appendix 1 of this report. Michael Steen's term of office ended on 31 August 2007 and Peter Dean retired as Chairman of the Commission on 31 December 2007.

Brian Pomeroy and Peter Teague became Commissioners on 1 October and 1 September respectively. Peter Teague is now Chairman of the Audit Committee and Brian Pomeroy took over as Chairman on 1 January 2008.

The Board of Commissioners is responsible for the strategic direction of the Commission and for the performance of the executive. It also determines some licence applications and revocations and makes the more serious regulatory decisions such as the imposition of fines.

The Board met ten times during the year and its terms of reference, minutes and attendance details are published on the Commission's website. In addition to the Commissioners, Board meetings are regularly attended by senior executives from the Commission.

The Board monitors and receives regular reports from its committees. The current committees of the Board are the Audit Committee, the Remuneration Committee and the Regulatory Panel. A Project Management Group (PMG) also ran until 15 November 2007 to oversee the transition to the Gambling Commission.

During the year the emphasis of the business of the Board has been on:

- ensuring that robust policies and procedures, pursuant to the requirements of the Gambling Act 2005, were in place in time for full implementation of the 2005 Act
- ensuring that arrangements are in place to identify and manage key risks in a timely fashion
- monitoring financial management and governance and the improvement and development of procedures and controls
- effective communication to stakeholders.

Board meeting attendance is detailed on page 23.

Audit Committee

The Audit Committee supports the Board and the Accounting Officer in their respective responsibilities for control and governance, risk management and associated assurance. Details of the committee members and their attendance is detailed on page 23.

In exercising its responsibilities the Committee advises the Board and Chief Executive on:

- the reports it has received on the strategic framework and processes for the control and governance and the management of risk
- the accounts, the accounting policies and other accounting information, the Statement of Internal Control, and the assurances relating to corporate governance contained in the annual report
- the planned activity and results of both internal and external audit, including the quality of service
- the adequacy of management responses to issues identified by audit activity, including the external auditor's management letter and reports prepared by internal audit
- the proposals for the tendering of internal audit services, or for the purchase of non-audit services from organisations who provide audit services, where appropriate
- the arrangements by which the Commission's employees may, in confidence, raise concerns about possible improprieties
- any other matters at the request of the Board of Commissioners.

The Committee received and reviewed all internal and external audit reports, together with the recommendations arising, and monitored implementation of the agreed actions.

During 2007/08 the Committee continued its process of self review, supported by input from internal and external audit. This has led to formalised reporting arrangements to the Board and a review of the terms of reference of the Committee.

Remuneration Committee

The Remuneration Committee supports the Board and the Accounting Officer in their responsibilities for:

- confirming a strategic direction for 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
- reviewing the annual remuneration report
- recruitment (as required) of the Chief Executive.

Details of the committee members and their attendance is detailed on page 23.

During the year, the Committee reviewed the Commission's pay and performance system, and employee pay awards. The Committee reviewed and agreed the pay proposals for senior employees and also reviewed and agreed the Chief Executive's annual Remuneration Report within the Annual Report and Accounts.

Board and associated committees – membership and attendance

Commissioner	Board	Audit Committee	Remuneration Committee	Comment
Number of meetings per year	10	4	3	
Brian Pomeroy (Chairman from 1 January 2008)	4			5 Board meetings prior to appointment
Peter Dean (Chairman to 31 December 2007)	8			2 Board meetings after retirement
Ben Gunn	7		3	
Bill Knight (Chairman of Remuneration Committee)	10	4	3	
Rachel Lampard	10		3	
Andrew McIntosh	8	3		
Gill Milburn	8	4		
Roy Penrose	9			
Eve Salomon	10		3	
Michael Steen (Chairman of Audit Committee to 31 August 2007)	4	2		6 Board meetings and 2 Audit Committee meetings after retirement
Peter Teague (Chairman of Audit Committee from 20 September 2007)	6	2		4 Board meetings and 2 Audit Committee meetings prior to appointment
Jenny Williams	10			

Project Management Group (PMG)

PMG was a broadly based group, established to provide assurances to stakeholders and to the Board of Commissioners on the conduct, resources and delivery of the transition project. The aim of this project was to successfully manage the transition of the Gaming Board for Great Britain to the Gambling Commission.

PMG met monthly, until November 2007, and reported formally to each Board meeting on the identification and management of the risks associated with the creation and establishment of the new Gambling Commission. Through a risk management approach, it played a key role in ensuring that the strategic objectives of the

Commission, as they relate to the transition, were achieved.

Membership was as follows:

Jenny Williams (Chief Executive, Chairman)

Eve Salomon (Commissioner)

Ben Gunn (Commissioner)

Phill Brear (Director of Operations) (to 1 October 2007)

Bill Butler (Director of Corporate Services)

Matthew Hill (DCMS)

Cath Hardaker (PKF – external advisor)

Eve Brown (PKF – external advisor)

Transition Executive Group/Management Group

Up to 1 September 2007 day to day executive management of the Commission was delivered by the Transition Executive Group (TEG) chaired by the Chief Executive. From 1 September this became the Management Group. The Chief Executive reported progress on performance and any issues to the Board each month. Members were:

Jenny Williams (Chief Executive, Chairman)

Tom Kavanagh (Deputy Chief Executive)

Phill Brear (Director of Operations)
(to 1 October 2007)

Hazel Canter (Director of Licensing and Compliance)

Bill Butler (Director of Corporate Services)

Beryl Brown (Director of Policy and Communications)

Justine Kenny (Director of Human Resources)

Andrew Lyman (Director of Monitoring and Enforcement)

Neil McArthur (Legal Adviser)

Julia Mackisack (Director of Communications)
(from 23 April 2007)

Andrew Rennison (Director of Intelligence)
(to 31 January 2008)

Nick Tofiluk (Director of Operations)
(from 5 November 2007)

Management commentary

Nature of the Commission's business

The Gambling Commission is an independent Non-Departmental Public Body (NDPB), sponsored by the Department for Culture, Media and Sport (DCMS). The Commission was established under the Gambling Act 2005 (the 2005 Act) and became fully operational on 1 September 2007. The Commission has responsibility for the regulation of most commercial gambling in Great Britain. Our remit covers nearly 3,500 operators providing gambling in Great Britain with an estimated turnover of £84.2bn. The Commission is funded in the main by fees paid by the gambling industry.

The 2005 Act charges the Gambling Commission with the overriding duty of pursuing the three statutory licensing objectives:

- to keep crime out of gambling
- to ensure that gambling is conducted fairly and openly
- to protect children and other vulnerable people from being harmed or exploited by gambling

and to permit gambling insofar as the Commission thinks it is reasonably consistent with those objectives.

The Commission also has a general responsibility under the 2005 Act for advising national and local government on the incidence of gambling, the way it is carried out, its effects and its regulation.

The Commission's main functions are to:

- set the standards required from those providing commercial gambling
- license operators who provide commercial gambling in Great Britain, both remotely and non remotely, and certain key individuals working in the gambling industry
- ensure that those holding licences comply with the terms of those licences
- take appropriate enforcement action against those providing gambling illegally
- provide advice on the incidence of gambling, the way it is carried out and its effects on regulation to the government and local authorities.

In addition, during 2007/08, the Commission was responsible for the transition to the 2005 Act including the effective delivery of the requirements of previous legislation.

The strategic plan

The Commission's first strategic plan covered the transition to the 2005 Act regime in the period 2005 to 2007. This plan set seven strategic objectives to cover the transition to and establishment of the Commission. These objectives and an assessment of the Commission's progress are set out in the following table.

Strategic objectives 2005 to 2007

Objective	Performance
Objective 1 – Maintain effective regulation under pre-2005 legislation (pending the development and commencement of functions necessary to support the provisions of the 2005 Act).	Regulation under pre-2005 Act maintained to professional standard until commencement of the 2005 Act from September 2007. Completed
Objective 2 - Develop, consult upon, and implement the policies and processes to enable a robust licensing regime that supports the provisions of the 2005 Act (covering both new and existing sectors).	Policies and guidance necessary to support the 2005 Act regime in place on time. Industry licensed under the 2005 Act in accordance with requirements. [see page 12 for details] Subsumed into new Objective 1

Objective 3 - Establish, after consultation, the policies and processes to enable effective compliance processes in accordance with the provisions of the 2005 Act (covering both new and existing sectors).	Policies and guidance in place on time, including the LCCP. Consultation with stakeholders carried out to support this across all sectors. Employees trained for new regime. Subsumed into new Objective 1
Objective 4 - Establish, after consultation, the policies and processes to enable effective enforcement processes in accordance with the provisions of the 2005 Act.	Policies and processes and employee training in place to allow enforcement work to commence from September 2005. Subsumed into new Objective 1
Objective 5 - Develop the Commission's knowledge base and advisory capacity	Policy and intelligence arrangements in place. Effective relationships with stakeholders and partner organisations established. Subsumed into new Objective 3
Objective 6 - Develop a professional workforce able to deliver the licensing, compliance and enforcement framework and services and policy initiatives required.	Employees recruited and trained in line with plans. Employees in place to achieve initial licensing activity and develop policies. Subsumed into new Objective 4
Objective 7 - Conduct the Commission's business cost-effectively and with the minimum of regulation consistent with effective pursuit of its objectives.	Transition completed in line with original resource estimates. Continuing need to deliver VFM recognised in the new corporate plan. Subsumed into new Objective 4

The Commission's second corporate plan was finalised in October 2007. The plan covers the period 2007 to 2011 and reflects the Commission's move from the transitional phase to the delivery of regulation under the 2005 Act. The plan reflects the extensive consultation with stakeholders carried out in 2007 on the development of the Commission's regulatory regime and sets out four new strategic objectives.

The Gambling Commission will deliver its responsibilities by:

- regulating gambling in the public interest: delivering a proportionate regulatory regime which delivers best practice licensing and enforcement and ensures compliance by licensees
- providing authoritative advice on gambling and its regulation: building the Commission's knowledge base through knowledge management, intelligence and research
- engaging with stakeholders: ensuring that the Commission is accountable, properly balanced and informed in its work
- developing its employees and organisation: delivering professional, responsive, accountable and fair regulation.

The Commission and the environment

The Commission's approach to sustainable development covers all aspects of its work. The Birmingham offices were developed with energy efficient lighting and heating and biodegradable materials were used in the office furnishings and construction. The office was located near to public transport services to reduce dependency on cars.

The environment policy has been developed further during the year and the Commission is committed to:

- preventing environmental pollution by working on the existing management processes/operational procedures
- progressively improving levels of environmental protection and reducing waste generated by the activities of the organisation, promoting recycling or re-use, and ensuring that methods of disposal for unusable waste create no long-term environmental impact
- making information on environmental performance with respect to air quality and water contamination available to employees

- using, wherever practicable, energy-efficient and low-pollution practices
- taking environmental factors into account when selecting contractors and suppliers
- providing the necessary awareness and information for employees.

The Commission held a green day to promote its environmental policy on 5 June 2008 to coincide with World Environment Day.

Development and performance of the business

During the year the Commission continued to develop the regulatory regime required under the 2005 Act and completed the transition from the previous regime. The details of the Commission's work are described elsewhere in this report, but the main activities were:

- management of the regulatory regime under previous legislation until 31 August 2007
- establishing arrangements for and delivering the re-licensing of the commercial gambling industry in Great Britain by 1 September 2007
- establishing arrangements for and delivering compliance and enforcement activity under the 2005 Act from 1 September 2007
- establishing economic and efficient support arrangements for the new regulatory regime.

During the first half of 2007/08, the Commission's operational focus was on the processes necessary to licence operators under the requirements of the 2005 Act. This required the Commission to receive licence applications, consider those applications and issue new licences under the 2005 Act. Between 1 January and 1 September 2007 nearly 2,500 operating licence applications were processed. Of these, 2,357 existing operators, the majority of the industry, applied by 27 April 2007 and were therefore able to continue to operate after 1 September even if their application had not been determined. In all, by 31 March, 4,199 operating

licences and 3,861 personal licences had been determined with 3,428 operators licensed across all industry sectors (some operators applied for more than one category of licence).

On completion of the initial licensing process, the Commission was able to reduce employee numbers in line with its plans from a peak of 300 employees, which included temporary staff and consultants to 222 employees at 31 March 2008.

In parallel with the licensing activity, the Commission continued its programme of consultation with trade bodies, local authorities, faith groups, problem gambling charities and other stakeholders, as well as with DCMS in the build up to and following the introduction of the 2005 Act. One to one discussions, meetings and workshops were held with key stakeholders involving vigorous and constructive debate. In addition, we used a range of channels to explain our new role and growing programme of activity, including our website, a fortnightly e-bulletin, leaflets and industry specific briefings.

In total, the Commission published 207 documents during 2007/08, covering advice and guidance for the industry, consultations, policy statements and technical standards. 108 of these documents were published prior to 1 September 2007 when the 2005 Act came into force.

Operational staff also continued to deliver regulation under the previous legislation during this period.

The Commission works on the expectation that, once licensed, operators and individuals working in the industry intend to be law-abiding and compliant with regulation. We aim to ensure that compliance covers all aspects of regulation – the licensing objectives, licence conditions and codes of practice – and are committed to the five principles of better regulation which means that we regulate in a proportionate, accountable, consistent, transparent and targeted manner. In addition, the Commission has taken into account better regulation best practice as set out in the Hampton review⁷ and the Macrory characteristics⁸.

⁷ Hampton review on regulatory inspections and enforcement published on 16 March 2005 and updated on 28 November 2006

⁸ Macrory Review of Regulatory Penalties -28 November 2006

From 1 September 2007, the Commission commenced its work on compliance and enforcement under the 2005 Act. The Commission recognises that this regime is unfamiliar to both operators and the Commission. Work during 2007/08 has therefore had a significant focus on developing the understanding of the industry of the 2005 Act requirements.

The Commission has a responsibility to give advice to the Secretary of State (DCMS) on the incidence of gambling, the manner in which gambling is carried out, the effects of gambling and the regulation of gambling. One major way in which the necessary data can be obtained is by carrying out regular prevalence studies, building on the initial study that was commissioned by GamCare and published in June 2000. The first such survey undertaken on behalf of the Commission was published in September 2007.

The Commission also continues to work closely with partners such as DCMS, the National Lottery Commission and RIGT to contribute to a national body of gambling-related research. Towards the end of 2007, the Commission was asked by DCMS to carry out a review of the effectiveness and level of the current voluntary arrangements for the industry's funding for gambling research, treatment and public education. It will include comment on funding levels, how the money is spent, and whether a statutory levy (allowed for in the 2005 Act) should be considered to support these activities. The Commission will report to DCMS on the outcome of the review at the end of September 2008.

Significant adjustments had to be made to our planned IT support arrangements during the year. Since our inception, the Commission has worked with external partners to develop an IT infrastructure and systems to support our licensing, compliance, enforcement and support services. By September 2007, the infrastructure was in place including home working and telephony.

However, some of the systems planned presented considerable problems and were not delivered as originally envisaged. The shortfall in delivery was recognised in the final payments made. Effective contingency arrangements were put in place and the original contract for IT

supply ended on 31 March 2008. Additional costs incurred – both for professional advice and for delivery of the contingency arrangements – were funded in part by additional grant in aid (GIA) and in part through existing budgets.

There has been no adverse impact on delivery of the Commission's regulatory role and a new IT strategy is in place that better matches our future needs. It is expected that this new strategy will be delivered within the original capital cost framework and allocations made by DCMS.

Financial position

The Commission is required to cover the full costs of operational activities (including enforcement activity) through fees charged to the industry and to break even, taking one year with another. The Commission's initial Funding Agreement with DCMS ended on 31 March 2008 and a new Funding Agreement has now been put in place for 2008/09 to 2010/11. The Funding Agreement sets out a series of targets against which the Commission is monitored, as well as confirming GIA funding for residual functions, transition and research activity. (see page 18 for details of research activity).

Our total income from fees and other sources for 2007/08 was £11.57 million and GIA financing from DCMS of £3.11 million. Total revenue expenditure was £16.7 million, resulting in an end of year cumulative Income and Expenditure reserve deficit at 31 March 2008 of £0.68 million.

The GIA financing covered the costs associated with carrying out outstanding work on 1968 Act regulation up to October 2007 (£0.8 million), transitional arrangements to 2005 Act (£1.8 million) plus a contribution to the Commission's research costs (£0.5 million)

Net assets at 31 March 2008 amounted to £3.9 million.

Fixed assets

In the period to 31 March 2008 the net book value of fixed assets increased from £4.2 million to £5.1 million. This reflects the investment by the Commission of £1.7m during the year on new IT systems. This was financed in the main by capital grant from DCMS (£1.1million).

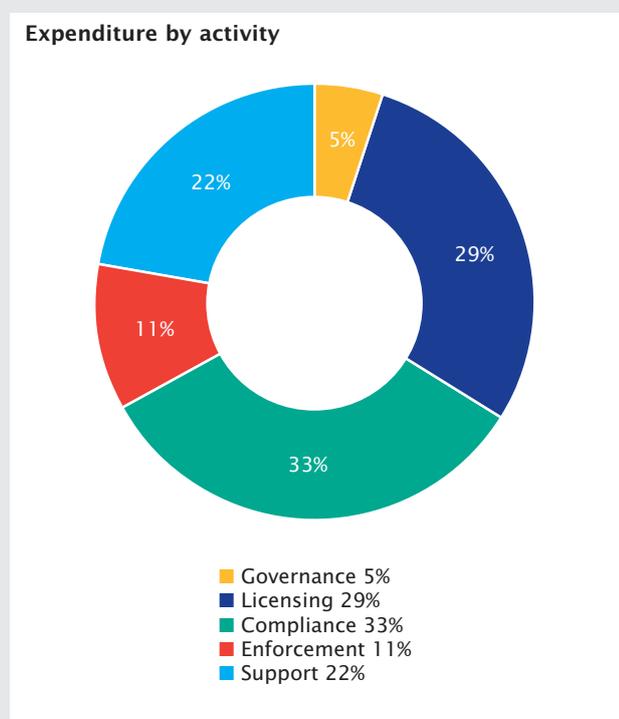
Financial statements

The following table summarises the income and expenditure for the Commission’s financial activities for the twelve months to 31 March 2008.

	Act 1968	Transitional to 2005 Act	Total
Total Income		11,567,000	11,567,000
Total Operating costs	(775,000)	(15,924,000)	(16,699,000)
Operating surplus/(deficit)	(775,000)	(4,357,000)	(5,132,000)
Interest Receivable		336,000	336,000
Release of Deferred Government Grant Reserve		688,000	688,000
Other non-operating costs		(85,000)	(85,000)
Retained surplus/(deficit) for the year	(775,000)	(3,418,000)	(4,193,000)
GIA	775,000	2,335,000	3,110,000
Difference		(1,083,000)	(1,083,000)

Main issues affecting the Commission in 2007/08

Commission funding and fee levels



The above cost analysis, including calculations 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

The Commission’s policy 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 2008 93% (target 95%) of invoices, totalling £8,572,872, were paid within 30 days of receipt.

Risk management

The Chief Executive, as Accounting Officer, is responsible for identification and management of corporate risk. She is supported in this by the Risk Management Committee (members of this committee are Jenny Williams (Chairman), Phill Brear (to October 2007), Nick Tofiluk (from November 2007) Hazel Canter, Bill Butler and Beryl Brown). The Board of Commissioners receives regular updates from the Chief Executive on the operation of the risk management arrangements and holds a risk workshop twice each year. The key risks are documented and managed through the corporate risk register, providing a monthly report summarising progress in identifying, allocating ownership of, evaluating, responding to and reviewing risks.

Until November 2007, a project risk management system was also operated to cover the delivery of the transition project. This was reported to the Project Management Group on a monthly basis.

No protected data incidents took place during the year and no reports were made to the Information Commissioner’s office.

Overall, the Commission considers that its risk position is Amber, reflecting the fact that the majority of its systems and processes are not yet properly tried and tested. The top ten risks for 2007/08 are set out in the following table.

	Risk	Strategic Objective
1	Untested policies and procedures	1,2
2	Inability/failure to demonstrate effective use of available resources	1,2
3	Failure to maintain appropriate and balanced relationships with the industry	3
4	Failure to deliver 'joined-up' regulation	1
5	Failure to develop effective culture and employment practices to support, develop and motivate employees	4
6	Failure to ensure compliance with governance and control arrangements	4
7	Failure to understand and respond to industry risk	1
8	Risk of litigation	1,3,4
9	Ineffective support for the front line operations	1
10	Commission cannot recover effectively from major business disruption. Business Continuity Management is not effective	1,2,3

Main trends and factors affecting future performance

The key issues which are likely to affect the Commission's future performance are:

- government policy: The Commission's remit and the operation of the gambling industry can be subject to significant change and influence through changes to government policy as reflected in statutory changes or amendments to the funding agreement

- fees and income: The Commission is dependent on fees from the industry to cover virtually all its operational costs. Fee levels are currently subject to a joint consultation exercise with DCMS. The Commission's current income projections assume that this consultation exercise will allow new fee rates from August 2008
- scale of the industry: The full impact of the 2005 Act on the gambling industry has yet to emerge. Further, the gambling industry operates in the changing economic environment and has also been subject to particular issues following the introduction of the smoking ban. The Commission's original forward plans assumed a low level of growth in the industry. It is now assumed that the number of operators will contract during the next three years, affecting the resources available to the Commission and increasing potential risk to the statutory objectives due to increasing economic pressures
- industry developments: The Commission anticipates that changes in the way that the industry operates will require different approaches from the Commission. This includes, in particular, the increased use of technology which will require a different skill and resource mix in the Commission
- legal challenge: The Commission has noted current challenges to its interpretation of the requirements of the 2005 Act, for example on split premises and poker clubs. The Commission expects that such challenges will continue as the Commission and the industry become familiar with the 2005 Act. Such challenges represent a material burden on the Commission's skills and resources
- international issues: the gambling industry is internationally based and the Commission expects that international issues will continue to have an impact on its work. In particular the Commission will continue to provide technical advice to DCMS on the white listing of foreign jurisdictions.

Financial statements and accounts

Remuneration Report

This report covers the twelve months ending 31 March 2008 and sets out the policy and disclosures in relation to the remuneration of the senior managers of the Gambling Commission.

Remuneration of Senior Management

Board of Commissioners

The Chairman and 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. The Chairman and Commissioners may resign by written notice and may be dismissed if the Secretary of State thinks them unable, unfit or unwilling to perform their duties.

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 further extended to 31 December 2007. This contract provided for the Chairman to work an average of four days per week.

The new Chairman, Brian Pomeroy, was appointed for a three-year term commencing 1 January 2008. He joined the Commission as a Commissioner on 1 October 2007. His contract provides for the Chairman to work an average of two days per week.

Senior managers

Senior managers are employed directly by the Commission. The Commission's standard terms of employment for senior managers are contracts for three years, reviewable twelve weeks before the end. Increases in pay are performance based and are 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. The process for the agreement of 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.

Jenny Williams was appointed as Chief Executive to the Gaming Board for Great Britain on 17 November 2004. Her salary and bonus arrangements are comparable with other Non Departmental Public Bodies' chief executives. Her contract provides for retirement at age 65 and continues under the Commission pursuant to schedule 4 to the Gambling Act 2005. The contract may be terminated by either party giving six months written notice.

Phillip Brear was appointed as Director of Operations on 14 November 2005 for a period of three years and left the Commission on 1 October 2007.

Beryl Brown was appointed as Director of Policy and Communications on 19 April 2006 for a period of three years. Beryl Brown's contract has been extended to August 2009.

Bill Butler was appointed as Director of Corporate Services on 20 February 2006 for a period of three years. Bill Butler's contract has been extended to August 2009.

Hazel Canter was appointed as Director of Licensing & Compliance on 3 January 2006 for a period of three years.

Tom Kavanagh, deputy Chief Executive, has retired from the Civil Service and has joined the Commission. Tom Kavanagh is on a permanent contract with a three-month notice period.

Nick Tofiluk was appointed as Director of Operations on 5 November 2007 for a period of two years.

Salary and Pension Entitlements

The following sections provide details of the remuneration and pension interests of the most senior managers of the Commission and are covered by the external audit opinion.

(i) Remuneration

	2008 (twelve months to 31 March 2008)		2007 (twelve months to 31 March 2007)	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
Peter Dean Chairman	70-75 (95-100 full year equivalent)	15,600	95-100	20,700
Brian Pomeroy Chairman (from 1 January 2008)	30-35 (60-65 full year equivalent)	2,300		
Jenny Williams Chief Executive	165-170	30,800	155-160	19,200
Phillip Brear Director of Operations (until 1 October 2007)	50-55 (105-110 full year equivalent)		110-115	-
Beryl Brown Director of Policy & Communications	85-90		75-80	-
Bill Butler Director of Corporate Services	105-110	3,300	100-105	3,300
Hazel Canter Director of Licensing & Compliance	105-110		100-105	-
Tom Kavanagh Deputy Chief Executive	80-85		90-95	
Nick Tofiluk Director of Operations (from 5 November 2007)	40-45 (100-105 full year equivalent)		-	

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. Apart from the Chairman and Chief Executive, all other Commissioners' salaries fall in the band £25,000 to £30,000. Apart from the Chief Executive 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 twelve months to 31 March 2008, Peter Dean was reimbursed for home to office travel, accommodation costs and subsistence, on which the Commission also paid the tax due. Jenny Williams was reimbursed for costs associated with her detached duties on which the Commission also paid the tax due. Bill Butler was provided with a lease car.

(ii) Pension Benefits 2007/08

2007 (12 months to 31 March 2008)	Accrued pension at age 60 as at 31 March 2008 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at end date	CETV at start date	Employee contributions and transfers in	Real increase in CETV
	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
Peter Dean Chairman (to 31 December 2007)	5-10 plus 25-30 lump sum	0-2.5 plus 2.5-5 lump sum	191	183	0-2.5	4
Brian Pomeroy Chairman (from 1 January 2008) *	-	-	-	-	-	-
Jenny Williams Chief Executive *	-	-	-	-	-	-
Phill Brear Director of Operations (to 1 October 2007)	0-5 lump sum N/A	0-2.5 lump sum N/A	67	47	7.5-10	12
Beryl Brown Director of Policy & Communications	2.5-5 plus 25-30 lump sum	0-2.5 plus 2.5-5 lump sum	187	145	0-2.5	18
Bill Butler Director of Corporate Services	50-55 lump sum N/A	0-2.5 lump sum N/A	857	729	2.5-5	18
Hazel Canter Director of Licensing & Compliance	45-50 lump sum N/A	0-2.5 lump sum N/A	1,008	871	2.5-5	25
Tom Kavanagh Deputy Chief Executive	35-40 plus 115-120 lump sum	0-2.5 plus 0-2.5 lump sum	1,011	889	0-2.5	10
Nick Tofiluk Director of Operations (from 5 November 2007)	0-2.5 lump sum N/A	0-2.5 lump sum N/A	10	0	0-2.5	8

* the appointment is not pensionable under the Civil Service pension scheme and no contributions have been paid by the Commission to any other scheme

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

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.

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.

Remuneration Committee

The members of the Remuneration Committee are Bill Knight (Chairman), Ben Gunn, Rachel Lampard and Eve Salomon.



Jenny Williams

Chief Executive and Accounting Officer

The Gambling Commission
14 July 2008

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

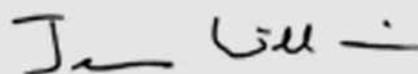
The Gambling Commission is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Secretary of State for Culture, Media and Sport, with the consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the Commission's state of affairs at the year end and on its income and expenditure, total recognised gains and losses and cash flows for the financial year. These accounts have been prepared for the period from 1 April 2007 to 31 March 2008.

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 the Gambling Act 2005, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements on a reasonable basis
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Commission will continue in operation.

The Accounting Officer for the Department of Culture, Media and Sport has designated me 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 keeping proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer' Memorandum issued by the Treasury and published in Managing Public Money.

So far as I am aware there is no relevant audit information of which the Commission's auditors are unaware. I have taken all the necessary steps to make myself aware of any relevant audit information and to ensure that the Commission's auditors are aware of that information.



Jenny Williams

Chief Executive and Accounting Officer

The Gambling Commission

14 July 2008

Statement on Internal Control for the year ended 31 March 2008

Period of coverage

This Statement of Internal Control covers 2007/08, the second full year of the operation of the Gambling Commission (the Commission). The Commission, which was established in accordance with Part 2 of the Gambling Act 2005, became fully operational from 1 September 2007. During 2007/08, the Commission has continued to establish and develop the systems, processes, structures and investment to facilitate the delivery of its functions and responsibilities under the Gambling Act 2005. The systems of internal control that support this statement have therefore continued to evolve during the period covered by this statement.

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 Managing Public Money.

I operate 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 Commission's work.

The purpose of the system of internal control

The Commission's 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 those risks efficiently, effectively and economically. The system of internal control has been in place in the Gambling Commission for

the year ended 31 March 2008 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

Capacity to handle risk

As the Commission's Accounting Officer I am supported by a Risk Management Committee. This Committee is comprised of senior managers who provide the direction, ownership and resources with which to assess and manage risk. The Committee involves, and is supported by, employees in the risk assessment and management process. This is achieved through employee induction, the focus of job roles and responsibilities, through policy and procedure guides and specific training and development programmes.

Risk registers are maintained by executive management and the Risk Management Committee plays an active role in ensuring that risks are identified, recorded and the outcome of the risk management strategies are challenged and monitored.

The risk and control framework

The Commission's risk management framework has continued to develop over the year as the Commission has moved from its transitional stage to fully operational from September 2007. The framework has been reviewed regularly by the Risk Management Committee, which has also overseen its development.

Until September 2007, the approach to the management of risk was focussed on the transition project, continuing the management and reporting arrangements in place in 2006/07. As the transition phase neared completion, the emphasis of the risk management framework and the risk approach of the Commission have been changed to reflect risks to the delivery of the Commission's new Corporate Plan, increasing focus on operational delivery and strategic development. The Commission has identified its current 'Top 10' risks through discussions with senior management and Omand style sessions with the Commission Board. The risk management process will continue to review and identify risks as they arise within the evolving organisation.

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

Risk Management Committee - is the forum for key risk identification, recording and management, and overseeing the operation of the risk management policies and procedures throughout the Commission. The Chief Executive, who is also the Accounting Officer, chairs the committee.

The Board and Audit Committee - the Board of Commissioners, supported by the Audit Committee, oversee the risk management function which operates within the Commission.

The risk management strategy and framework - the risk management strategy outlines the objectives and policies for managing risk, including the organisation's tolerance for risk. The framework sets out management roles and responsibilities, 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.

The Commission's governance framework - the Commission has published a comprehensive corporate governance framework which sets out how the Board manages its affairs and which matters are delegated to the Chief Executive. This is reviewed at least annually.

An internal audit programme - the internal audit programme focuses on the requirement to provide assurance that the risks faced by the Commission are properly managed and controlled. Where control weaknesses are identified, these are drawn to the attention of senior management, who are responsible for determining and implementing an appropriate response.

Office of Government Commerce (OGC) Gateway Review - an OGC gateway review was conducted in August 2007, covering the Commission's transition arrangements and, in particular, the IT contract. The Commission was assessed as 'Amber', indicating that OGC had made recommendations in relation to the project and that action should be taken prior to the next OGC Review. An action plan to achieve this was put in place and delivered.

Developments in internal control

A number of developments were addressed by the Commission during the period. These were:

The introduction of new regulatory arrangements for the gambling industry under the 2005 Act. The Commission has put in place arrangements and policies to allow the delivery of its core statutory responsibilities. The arrangements have been subject to detailed consideration and consultation and are currently working effectively. However, they have still to be fully tried and tested at this stage of the Commission's operation. The Commission will keep the operation of these systems under review to ensure that they are fit for purpose.

The re-licensing of the existing industry under the terms of the 2005 Act. The Commission put in place effective arrangements to allow the re-licensing of existing operators during 2007. Because the planned IT support systems could not be delivered, contingency arrangements were put in place to ensure delivery of this statutory responsibility. This was achieved without adverse impact on operators.

Continued delivery of arrangements under previous legislation. The Commission had responsibility for ensuring that the residual responsibilities under previous legislation continued to be discharged.

Collection of fees under the new regime. For 2007/08, the Commission was, for the first time, dependent on fees received from licensees for its income. Fees are set by DCMS and the Commission had to put in place arrangements for the proper collection of the fees due. The income due to the Commission was collected properly and in full.

Management of the Commission's IT supply contract. The Commission had contracted for a total IT solution, including hardware and software systems. The hardware elements of the contract were delivered satisfactorily, but key software elements of the systems could not be delivered as planned. The Commission was able to agree revised contract delivery and payment arrangements with the supplier. However, the management of this contract occupied a considerable amount of the Commission's senior management time.

The absence of key support systems meant that the Commission had to rely on planned contingency arrangements. These involved some additional resources and increased risk to the Commission but there was no adverse impact on operators.

The Commission has put in place arrangements to manage the security and integrity of the data which it collects and manages as a part of its work. Currently, the Commission is working towards accreditation under ISO27001.

Employee changes in key positions. The Commission managed a significant period of the year without a Head of Finance. As a result, the risk management system was not developed across the organisation as planned. In recognition of this, I took an active role in risk management and worked closely with my senior management team to ensure that the top ten risks were identified and reviewed regularly. Effective staffing and risk management arrangements have been in place since January 2008 and arrangements have been reviewed by internal audit.

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 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:

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 Commissioners consider regular reports on the key risks and have held two workshops on risk during the period.

The Audit Committee - the Committee, which is an advisory committee of the Board of Commissioners, meets 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 and to monitor the progress towards resolution of any internal and external audit recommendations. The Committee has also monitored the systems of internal control as they have continued to evolve during the year. The Committee has approved a comprehensive internal audit programme covering the identified risk areas, reviewed the corporate risk management process and received various reports and assurances from senior managers and auditors on the key areas of risk. The Committee actively challenges and supports the corporate assurance framework as the systems of internal control continues to evolve.

The Risk Management Committee - the Committee meets at least four times each year to plan and oversee the Commission's risk management strategies, to monitor progress, arrange independent audit and to direct any necessary improvement action. During the first half of the year, the Committee fulfilled a supporting role to the Project Management Group in the management of the key risks relating to the transition project. Subsequently, the Committee has established arrangements for assessing overall risk management. A dedicated resource has been identified to support the Committee and employee training arrangements will be rolled out in the coming months.

Senior management meetings - regular meetings of the senior management group are held to monitor progress 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. In addition,

senior managers have completed personal assurance statements for the areas covered by their responsibilities and these are reflected in this statement.

Project Management Group - this Group comprised senior management, Commissioners and external advisers and oversaw the effective delivery of the transition project, ensuring that all associated risks were identified and managed and that necessary contingency plans were in place to ensure continuity of the business

Internal audit – an internal audit function is performed by Grant Thornton in accordance with government internal audit standards. Each year in their annual report, Grant Thornton provide an independent opinion on the adequacy and effectiveness of the Commission's system of internal control, together with recommendations for improvement. Their opinion for 2007/08 is that, based on the reviews undertaken during the period and in the context of materiality and subject to the implementation of the recommendations they have made during their reviews, and to the implementation of the recommendations they have made during their reviews:

- The risk management activities and controls in the areas which they examined were found to be suitably designed to achieve the specific risk management, control and governance arrangements.
- Based on their sample testing, risk management, control and governance arrangements were operating with sufficient effectiveness to provide reasonable, but not absolute assurance, that the related risk management, control and governance objectives were achieved during the period of review.



Jenny Williams

Chief Executive and Accounting Officer

Gambling Commission
14 July 2008

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

I certify that I have audited the financial statements of the Gambling Commission for the year ended 31 March 2008 under the Gambling Act 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. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Gambling Commission, Chief Executive and auditor

The Gambling Commission and Chief Executive as Accounting Officer 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's and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited 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 report to you whether, in my opinion, the information which comprises the Management Commentary included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament

and the financial transactions conform to the authorities which govern them.

In addition, I report to you 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 HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Gambling Commission's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to 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 the Annual Report except for the Management Commentary, and the unaudited part of the Remuneration Report included in the Annual Report. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

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 Accounting Officer 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.

T J Burr
Comptroller and Auditor General

National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

Date 16 July 2008

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 2008, and of its deficit for the year 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 issued thereunder; and
- information, which comprises the Management Commentary included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

In my opinion, 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.

Report

I have no observations to make on these financial statements.

Income and expenditure account

For the 12 months ended 31 March 2008

	Notes	2008 £'000s	2007 £'000s
Income			
Licence fee income	2	11,541	148
Other income	3	26	97
Total income		11,567	245
Expenditure			
Staff costs	4	(9,321)	(6,161)
Other operating costs	5	(6,645)	(7,294)
Depreciation and amortisation	6 and 7	(733)	(380)
Total expenditure		(16,699)	(13,835)
Operating deficit			
		(5,132)	(13,590)
Release of deferred Government grant reserve	12	688	380
Interest receivable		336	24
Interest cost on pensions	4	(13)	(13)
Notional capital charges		(145)	(77)
Tax incurred on interest received		(72)	(5)
Surplus/(deficit) on ordinary activities		(4,338)	(13,281)
Write back notional capital charges		145	77
Deficit for the year		(4,193)	(13,204)

Statement of total recognised gains and losses

For the 12 months ended 31 March 2008

	Notes	2008 £'000s	2007 £'000s
Retained deficit for the year		(4,193)	(13,204)
Gain/(loss) on pension liability	4	234	(26)
Movement on deferred Government grant reserve	12	450	3,794
Grant-in-aid for revenue expenditure	12	3,110	13,766
Movement on revaluation reserve	12	(66)	7
Total recognised losses since the previous Annual Report		(465)	4,337

Balance sheet

As at 31 March 2008

	Notes	2008 £'000s	2007 £'000s
Fixed assets			
Intangible assets	7	2,180	1,362
Tangible assets	6	2,943	2,825
Current assets			
Debtors and prepayments	8	308	268
Cash at bank and in hand	16	6,230	3,896
Total current assets		6,538	4,164
Creditors (falling due within one year)	9	(7,690)	(3,703)
Net current assets		(1,152)	461
Net assets excluding pension liability and other provisions		3,971	4,648
Pension liability	10	(73)	(284)
Other provisions	11	-	-
Net assets including pension liability and other provisions		3,898	4,364
Capital and reserves			
Reserves	12	4,578	4,194
Income and expenditure reserve	12	(680)	170
Total capital and reserves		3,898	4,364

These accounts were authorised for issue by the Accounting Officer on 16 July 2008



Jenny Williams

Chief Executive and Accounting Officer

The Gambling Commission

14 July 2008

Cash flow statement

For the 12 months ended 31 March 2008

	Notes	2008 £'000s	2007 £'000s
Net cash outflow from operating activities	15	(429)	(11,781)
Capital grant received	12 and 13	1,138	4,174
Returns on investment and servicing of finance			
Interest received		336	24
Interest charged	4	(13)	(13)
Taxation			
Corporation tax on interest received		(72)	(5)
Investing activities			
Payment to acquire fixed assets	6 and 7	(1,736)	(4,174)
Proceeds from disposal of fixed assets			3
Net cash outflow before financing		(776)	(11,772)
Financing			
Grant-in-aid for revenue expenditure	13	3,110	13,766
Fee income received	2	775	2,488
Less fees appropriated to DCMS		(775)	(2,471)
		3,110	13,783
Increase in cash	16	2,334	2,011

Notes to the accounts

1 Accounting policies

1.1 Accounting conventions

These are the accounts for the Gambling Commission (the Commission) covering the 12 months from 1 April 2007 to 31 March 2008. 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 (the 2005 Act). A copy of the accounts direction can be obtained from the Commission.

The policies adopted follow generally accepted accounting practice (GAAP) in the United Kingdom, to the extent it is meaningful and appropriate in the public sector context, in accordance with the

2007/08 Financial Reporting Manual (FRm) issued by HM Treasury. 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 Treasury have announced that accounts for public sector entities will be produced in accordance with IFRS in 2009/10.

1.2 Fixed assets

All capital costs associated with the office move to Birmingham and its fitting out are defined as fixed assets and capitalised accordingly.

Ongoing tangible and intangible fixed asset purchases are capitalised when the original purchase price is £2,500 or more. Purchased software licences are classified as intangible assets, and are amortised over the life of the licence.

1.3 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:

IT Hardware	4 years
IT software licences	Over the life of the licence
IT software development	7 years
Fixtures and fittings	10 years
Furniture	10 years
Equipment	7 years
Telecoms	7 years

Depreciation is charged in full in the month of acquisition, with no charge being made in the month of disposal except for software development where no depreciation is charged until the asset is completed.

1.4 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 re-valued in their year of acquisition as their current and historical cost would not be materially different. Assets brought forward have been included at their current cost values.

1.5 Deferred Government grant reserve

Capital grants received from DCMS relate specifically to the capital costs associated with the set up and establishment of the Commission. In accordance with SSAP4 and the FRm, these grants have been credited to the deferred Government grant reserve. The amount deferred is released back to the

income and expenditure account in line with the depreciation charged against these specific assets. Where assets have been disposed of, the release associated with the remaining grant for these specific assets has been credited directly to reserves.

1.6 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 former Chairmen of the Commission 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.

1.7 Operating leases

Payments made under operating leases on land and buildings and equipment are charged to expenditure as incurred.

1.8 Value added tax

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

1.9 Licence fee receipts

The Commission collects fee income in relation to both the 1968 Act (past legislation) and the 2005 Act (current legislation).

2 Fee receipts

2.1 1968 Act fees

The Commission collects 1968 Act fees in respect of certificates and registrations and these monies are paid over in full to DCMS for appropriation in aid of 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 within the Balance Sheet within 'other creditors'. At 31 March 2008, the balance due to DCMS was £0 after appropriations of £775,115. Receipts in the year are as follows:

	2008 £'000s	2007 £'000s
Section 19 certificates	203	701
Section 27 certificates	219	485
Certificates of consent		
Bingo	47	139
Casino	18	551
Total gaming	487	1,876
Lotteries & Amusement Act	265	596
Total fee income	752	2,472
Interest on fee income	23	16
Total	775	2,488

2.2 2005 Act fees

The 2005 Act came fully into force on 1st September 2007, upon which the gambling industry were required to apply for operator and personal licences under the jurisdiction of the new 2005 Act. Fees payable under the 2005 Act therefore apply from 1 September 2007, and are received in respect of application fees, annual fees and changes and variations to licences. These monies are retained by the Gambling Commission to fund operational activities under the 2005 Act. Receipts in the year are as follows:

	2008 £'000s	2007 £'000s
Operator licence applications		
Application fees	4,620	168
Annual fees	10,739	
Personal licence applications	1,013	6
Unanalysed licence applications		74
Total fee income received	16,372	248
Interest on fee income	336	-
Total	16,708	248

2.3 2005 Act income

Fees payable under the 2005 Act are recognised by income stream, and released into the Commission's income and expenditure account as per the Commission's Financial and Accounting Policy. In respect of operator licence, annual fees and personal licence fees, income is recognised over the duration of the licence.

	2008 £'000s	2007 £'000s
Operator licence applications		
Application fees	4,620	148
Annual fees	6,265	-
Personal licence applications	656	-
Total fee income received	11,541	148
Interest on fee income	336	-
Total	11,877	148

3 Other income

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 £31 per application, which is invoiced to the 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.

	2008 £'000s	2007 £'000s
Recovery of CRB fees	26	97
Total other income	26	97

4 Employee costs

4.1 Analysis of Commissioners' and employee costs

	2008 £'000s	2008 £'000s	2008 £'000s	2007 £'000s
	Permanent	Short term	Total	Total
Salaries and wages	5,552	1,952	7,503	4,949
Social Security costs	459	170	629	417
Pension costs				
Included within operating deficit	855	334	1,189	795
Included as other finance costs	13	-	13	13
Recognised in statement of total recognised gains and losses	(234)	-	(234)	26
Total pension costs	634	334	968	834
Total Commissioners' and employee costs	6,645	2,456	9,100	6,200

The above analysis comprises the following figures from the income and expenditure statement:

	2008 £'000s	2007 £'000s
Employee costs	9,321	6,161
Interest costs on pensions provision	13	13
Actuarial adjustments to pensions provision	(234)	26
Total	9,100	6,200

Footnote to analysis of employee costs

In addition to the employee costs detailed above, costs in relation to a permanent employee have been capitalised during the year.

	2008 £'000s		2008 £'000s	2007 £'000s
	Permanent	Short term	Total	
Salaries and wages	24	-	24	-
Social Security costs	4	-	4	-
Total capitalised employee costs	28	-	28	-

Permanent and short term employee costs are presented in accordance with section 231A of the Companies Act, as detailed within the FReM. Permanent and short term employees are identified as follows:

Permanent employees are those with a permanent (UK) employment contract with the Commission.

Short term employees are other employees engaged on the objectives of the entity (for example, short term contract employees, agency/temporary employees, locally engaged employees overseas and inward secondments where the entity is paying the whole or the majority of their costs).

4.2 Retirement benefits

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

4.2.1 Employees

The Commission provides pension benefits for permanent employees under the PCSPS. This is a contributory unfunded multi-employer defined benefit scheme and the 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 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For the year ending 31 March 2008, employer contributions of £1,162,762 were payable to the PCSPS at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation.

The contribution rates are set to meet the cost of the benefits, accruing during 2007/08, to be paid when the member retires, and not the benefits paid during this period to existing pensioners

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £6,106 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 £603, 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 £530. No contributions were prepaid.

4.2.2 Chairman

In addition to the above, pension benefits are provided to the two former Chairmen of the Gaming Board for Great Britain 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 2008	31 March 2007
Inflation assumption	2.75%	2.75%
Rate on increase in salaries	4.30%	4.30%
Rate of increase for pensions in payment, in line with inflation	2.75%	2.75%
Discount rate for scheme liabilities	5.30%	4.60%

The present value of the scheme liability at 31 March 2008 is £73,000.

	2008 £'000s	2007 £'000s
Analysis of amount charged to operating surplus:		
Current service cost (net of employee contribution)	18	22
Analysis of amount charged to other finance costs:		
Interest on pension scheme liabilities	13	13
Analysis of amount recognised in statement of total recognised gains and losses (STRGL):		
Actuarial gain/(loss)	234	(26)
Overnight increase in liability (change on return)	-	-
Total (loss) recognised in STRGL	234	(26)

5 Other operating costs

	2008 £'000s	2007 £'000s
Accommodation	1,174	1,226
Professional and accountancy fees	1,278	2,314
Travelling and subsistence	751	588
Agency and other employee costs	803	722
Recruitment, training and development	641	604
Hospitality	37	19
Office services	1,211	1,050
External audit fee ¹⁰	33	34
Internal audit costs	54	21
Amounts payable to CRB	236	105
Other	428	611
Total operating costs	6,645	7,294

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

	2008 £'000s	2007 £'000s
Land and buildings	841	656
Other	19	16
	860	672

¹⁰ The external audit fee represents the cost for the audit of the financial statements carried out by KPMG. No non audit work was undertaken by KPMG during the year.

6 Tangible fixed assets

	Software development £'000s	Information technology £'000s	Fixtures and fittings £'000s	Furniture and office equipment £'000s	Telecoms £'000s	Total £'000s
Cost/valuation						
At 1 April 2007 (restated)	228	474	1,630	634	217	3,183
Revaluations	-	(18)	(79)	22	(8)	(82)
Additions	663	165	71	31	7	936
Transfers	(351)					(351)
Disposals						-
At 31 March 2008	540	621	1,622	687	216	3,686
Accumulated depreciation						
At 1 April 2007 (restated)	-	138	140	59	22	358
Revaluations		(5)	(13)	5	(2)	(15)
Provided in year	-	132	167	70	32	400
Disposals						-
At 31 March 2008	-	265	293	134	52	743
Net book value at 31 March 2008	540	356	1,329	553	165	2,943
Net book value at 31 March 2007	228	336	1,490	575	195	2,825

7 Intangible fixed assets

	Software £'000s
Cost/valuation	
At 1 April 2007 (restated)	1,416
Revaluations	0
Additions	800
Transfers	351
Disposals	
At 31 March 2008	2,567
Accumulated amortisation	
At 1 April 2007 (restated)	54
Revaluations	0
Provided in year	333
Disposals	
At 31 March 2008	387
Net book value at 31 March 2008	2,180
Net book value at 31 March 2007	1,362

The Commission has reviewed its capital accounting policy following the completion of its move to Birmingham. In line with the Treasury FREM and UK GAAP, amounts in respect of the development of capitalised software which were previously charged as revenue expenditure in 2006/07 and in 2007/08 have now been capitalised. In addition, a review of the Commission's IT software development programme was carried out, resulting in a proportion of tangible fixed assets being reclassified as intangible fixed assets.

To reflect these changes, the net book value of the Commission's fixed assets for the year 2006/07 has been restated. This results in an increase in net book value of £408,000 between the 2006/07 statement and the restated 2006/07 figures above, made up of a decrease in Tangible Fixed Assets of £670,000, and an increase in Intangible Fixed Assets of £1,078,000.

8 Debtors (amounts falling due within one year)

	2008 £'000s	2007 £'000s
Employee season ticket loans and expense imprests	51	72
Bank interest accrued	11	3
Other debtors	-	2
Prepayments	246	191
	308	268

9 Creditors (amounts falling due within one year)

	2008 £'000s	2007 £'000s
Trade creditors	441	162
Payroll:		
PCSPS and third parties	77	129
Social Security	100	75
Taxation	119	103
Other creditors	73	1,665
Deferred income (Gambling Act 2005 fee income)	4,846	100
Bank overdraft	-	-
Accruals	2,034	1,469
	7,690	3,703

Other creditors

The Commission did not hold any balances with other Government bodies as at 31 March 2008.

10 Pension liability

This provision recognises the payments due in respect of two former chairmen of the Gaming Board.

	2008 £'000s
At 31 March 2007	284
Current service cost	18
Staff contribution	1
Interest cost	13
Actuarial gain in the period	(234)
Pensions paid in the year	(9)
At 31 March 2008	73

11 Other provisions

The Commission did not hold any other provisions at 31 March 2008.

12 Reserves

	Revaluation reserve £'000s	Income and expenditure reserve £'000s	Deferred government grant reserve £'000s	Total £'000s
At 1st April 2007 (restated)	7	170	4,187	4,364
Deficit for the year	-	(4,193)	-	(4,193)
Grant-in-aid finance	-	3,110	-	3,110
Capital grant received	-	-	1,138	1,138
Release for depreciation	-	-	(688)	(688)
Transfer for disposal of fixed assets	-	-	-	-
Pension charge	-	234	-	234
Revaluation reserve	(66)	-	-	(66)
At 31st March 2008	(59)	(680)	4,637	3,898

13 Financing

	2008 £'000s	Restated 2007 £'000s
Grant-in-aid and capital grant drawn from DCMS for operational purposes		
Resource	3,110	13,766
Capital	-	4,905
Less transfer to deferred Government grant reserve regarding fixed asset acquisitions	(1,138)	(4,174)
Plus capital grant drawn transferred from Other Creditors	1,138	(731)
Total grant-in-aid financing	3,110	13,766

During the year ended 31 March 2008 a total of £1,138,306 capital grant was drawn to cover specific expenditure on work associated with setting up the new systems for the Commission as well as for the relocation of the offices to Birmingham.

14 Impact of pension liability on income and expenditure reserve

	Notes	2008 £'000s	2007 £'000s
Income and expenditure reserve excluding pension liability		(607)	454
Pension liability	10	(73)	(284)
Income and expenditure reserve		(680)	170

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

	2008 £'000s	2007 £'000s
Operating (deficit)	(5,132)	(13,590)
Depreciation provided in year	733	380
Loss on disposal of fixed assets	-	9
(Increase) in debtors relating to operating activities	(40)	(138)
Increase in creditors relating to operating activities	3,987	1,546
Increase in provisions relating to operating activities	23	12
Net cash inflow from operating activities	(429)	(11,781)

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

	31 March 2007 Notes £'000s	Cashflow £'000s	31 March 2008 £'000s
Cash at bank and in hand	3,896	2,334	6,230
Bank overdraft	9	-	-
	3,896	2,334	6,230

All of the Commission's cash reserves are held in commercial bank accounts.

17 Capital commitments

Capital commitments at 31 March 2008 amounted to £132,000 in respect of the new IT systems and surveillance equipment.

18 Commitments under operating lease

At 31 March 2008, the Commission was committed to making the following payments under operating leases in the year to 31 March 2009.

	2007/08		2008/09	
	Land and buildings	Other	Land and buildings	Other
	£'000s	£'000s	£'000s	£'000s
Operating leases which expire:				
Within one year	-	15	-	3
In the second to fifth years inclusive	-	-	-	16
Over five years	829	2	841	-
	829	17	841	19

19 Related party transactions

The Commission is a Non Departmental Public Body (NDPB) funded through the collection of licence fees from the industry, and grant-in-aid for revenue purposes from the DCMS.

The DCMS is regarded as a related party. During the year to 31 March 2008, the Commission has had a small number of material transactions with DCMS, comprising largely grant-in-aid received for revenue purposes 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 employees or other related parties has undertaken any material transactions with the Commission.

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 Commission has no borrowings and relies on fees receivable from the gambling industry, and departmental grants for its cash requirements. It is therefore exposed to minimal liquidity risks. It also has no long term material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk.

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

21 Contingent liabilities

There are no contingent gains or losses to report in the 12 months to 31 March 2008.

22 Post balance sheet events

These accounts were authorised for issue on 16 July 2008.

There are no post balance sheet events to report since 31 March 2008.

Appendix 1

Board of Commissioners

Brian Pomeroy CBE (Chairman from 1 January 2008)

Brian Pomeroy is an economist and chartered accountant who spent his career with Touche Ross Management Consultants (now Deloitte Consulting), becoming the Managing Director and then Senior Partner of the firm. Brian is a former Chairman of the National Lottery Commission, and is currently Chairman of the Payments Council and the Financial Inclusion Task Force. He is a member of the Financial Reporting Review Panel and the Audit Commission; Director and Deputy Chairman of QBE Insurance Europe Ltd; a Trustee of the Money Advice Trust; a Board Member of The Social Market Foundation and Chairman of The Photographers' Gallery.

Peter Dean CBE (Chairman to 31 December 2007)

Peter Dean joined the Gaming Board (now the Gambling Commission), 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 ten years. He has a legal background and is a former Chairman of the International Association of Gaming Regulators.

Ben Gunn CBE QPM

Mr Gunn was Chief Constable of Cambridgeshire from 1993 to 2002 having previously served in the Metropolitan Police for 28 years. He is senior partner in Campbell Gunn Associates a firm of management consultants. He was the independent chairman of the joint Jockey Club/British Horseracing Board Security Review which examined integrity issues in horseracing in Great Britain in 2003 and is currently an independent regulatory director of the British Horseracing Authority. Mr Gunn is also security advisor to the National Trust and a trustee and former chairman of the Child Victims of Crime Charity.

Bill Knight

Bill Knight is a solicitor. He is Chairman of the Financial Reporting Review Panel and Deputy Chairman of Lloyd's Council. He is a former Chairman of the Enforcement Committee of the General Insurance Standards Council and of the Law Society's Company Law Committee. He was senior partner at Simmons & Simmons until 2001.

Rachel Lampard

Rachel Lampard has been the Methodist Church's Secretary for Parliamentary and Political Affairs since 2000 and has taken the lead for the Christian churches on the Government's gambling proposals.

She is currently a trustee of the Society of the Study of Gambling and was formerly a trustee of the Responsibility in Gambling Trust.

Andrew McIntosh

Andrew McIntosh is a Member of the House of Lords and has been President of GamCare, the National Association for Gambling Care Educational Resources and Training since 2005. He was DCMS Minister for Media and Heritage (2003–2005) including responsibility for gambling and the passage of the Gambling Act 2005. In his business career, he ran IFF Research Ltd, a market and social research company, for 30 years and was Chairman and then President of the Market Research Society.

Gill Milburn JP

Gill Milburn had a career in taxation and marketing prior to joining the Gaming Board (now the Gambling Commission). She is a Magistrate and has served on Cheshire Magistrates Court's Youth, Licensing and Enforcement Panels. Mrs Milburn also works with a programme to settle and rehabilitate drug offenders.

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 (now the Gambling Commission) in 2001 and was charged with taking a particular interest in the Inspectorate.

Eve Salomon

Eve Salomon is a regulatory and public affairs consultant, and a director of Salomon Whittle Ltd, a company specializing in media-related matters both in the UK and internationally. She is also a member of the Better Regulation Commission and of the Press Complaints Commission.

Michael Steen OBE (to 31 August 2007)

Michael Steen OBE was formerly a partner with, and board member of, KPMG. He is a non-executive director of Molins plc. He is an author, and is currently Chairman of the trustees of the Friends of the Victoria and Albert Museum, and a member of the Council of the Open University. He was appointed to the Gaming Board (now the Gambling Commission) in 1999 and holds a special responsibility for the Commission's Scottish affairs.

Peter Teague (from 1 September 2007)

Peter Teague took up his post from 1 September 2007, replacing former Commissioner Michael Steen OBE as Chairman of the Audit Committee. He is currently Chairman and Finance Director of New Technology 2006 Ltd; Non-Executive Director and Chairman of the Audit Committee at Immedia Broadcasting plc and Flomerics Group plc. Peter holds one other public appointment as Chairman of Ofcom's Audit Committee.

Jenny Williams (Chief Executive)

Jenny Williams became the Chief Executive of the Gaming Board in 2004. She was previously a Director General and board member at the Lord Chancellor's Department (now the Ministry of Justice). 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. She is a non-executive director of Northumbrian Water Group PLC and of the homelessness charity Connections at St Martin's.

Appendix 2

Employment statistics for 2007/08 (as at 31 March 2008)

Total employees by contract type

Secondees	5
Fixed Term Employees	16
Permanent Employees	201
Total	222

Departmental split

Communications	6
Compliance	70
Corporate Services	2
Enforcement	10
Executive	11
Facilities	5
Finance	8
Human Resources	7
ICT	9
Intelligence	15
Legal	2
Licensing	58
Policy	19
Total	222

Diversity - Gender

Female	100
Male	122
Total	222

Diversity - Disability

Employees with a disability as defined under the 2005 Act	0
Employees without a disability as defined under the 2005 Act	222
Total	222

Diversity - Ethnic origin

Ethnic Origin	No
Asian/Asian British - Bangladeshi	1
Asian/Asian British - Indian	12
Asian/Asian British - Other	1
Asian/Asian British - Pakistani	2
Black/Black British - Caribbean	6
Chinese	1
Mixed Race - other	1
Mixed Race - White/African	1
Mixed Race - White Black Caribbean	1
Not Disclosed	3
White British	184
White Irish	3
White Other	6
Total	222

Diversity - Age

Age	No
21 to 30	57
31 to 40	74
41 to 50	53
51 to 60	28
61+	10
Total	222

Appendix 3

The Gaming Act 1968 (1968 Act)

Licensing under the 1968 Act

Employee Certification (1968 Act)		
Details of certificates of approval applied for before the cut off date of June 2007 are provided below. Certificates of approval were replaced by personal licences under the 2005 Act.		
Applications for certificates of approval 2003/04 to 31 March 2008	Number of applications dealt with	Number of certificates issued
01/04/07 to 31/03/08	1,360	1,188
01/04/06 to 31/03/07	3,490	3,381
01/04/05 to 31/03/06	3,481	3,159
01/04/04 to 31/03/05	4,276	3,736
01/04/03 to 31/03/04	4,206	3,671

Regulating the casino industry

There were still 142 casinos operating, licensed under the 1968 Act, on 1 September 2007 - the locations are detailed at appendix 4. During the year eight 1968 Act casino certificates of consent and 23 certificates of continuance were determined. At 31 March 2008 there were still seven applications for casino certificates of consent outstanding of which three were still outstanding at 4 June 2008.

Charts below show the results of consent applications made to the Commission during the period 1 April 2007 to 31 March 2008. No certificates of consent were issued regarding the transfer of a licence. Seven applications for new certificates of consent were withdrawn.

Chart AP3/1

New certificates of consent	England and Wales	Scotland	Total
Applications outstanding on 31 March 2007	19	1	20
Applications received in 2007/08 for substitute premises	2	0	2
Total	21	1	22
Certificates issued	7	1	8
Applications withdrawn	7	0	7
Applications refused	0	0	0
Applications not determined by 31 March 2008	7	0	7
Total	21	1	22

Chart AP3/2

Continuance of certificates of consent	England and Wales	Scotland	Total
Applications outstanding on 31 March 2007	22	1	23
New applications received in 2007/08	0	0	0
Total	22	1	23
Certificates issued	22	1	23
Applications withdrawn			0
Applications refused			0
Applications not determined by 31 March 2008			0
Total	22	1	23

Regulating the bingo industry

The following charts show the results of consent applications made to the Commission during the period 1 April 2007 to 31 March 2008 and the number and outcome of licence applications.

Chart AP3/3

New certificates of consent	England and Wales	Scotland	Total
Applications outstanding on 31 March 2007	3	0	3
New applications received in 2007/08	4	0	4
Total	7	0	7
Certificates issued	5	0	5
Applications withdrawn	1	0	1
Applications refused			0
Applications not determined by 31 March 2008	1	0	1
Total	7	0	7

Chart AP3/4

Certificates of consent to transfer a licence	England and Wales	Scotland	Total
Applications outstanding on 31 March 2007			0
New applications received in 2007/08	3	0	3
Certificates issued	3	0	3
Total	3	0	3

Regulating the gaming machine industry

The number of new applications under section 27 of the Gaming Act 1968 to sell, supply and/or maintain gaming machines received before 1 September 2007 are shown below.

Chart AP3/5

New applications for section 27 certificates (before 1 September 2007)	England & Wales	Scotland	Total
New applications outstanding on 31 March 2007	8	1	9
New applications received	15	0	15
Certificates issued	23	1	24
Total	23	1	24

The outcome of applications made for the renewal of certificates, together with applications carried over from 2006/07, is shown below. If a certificate expires and has not been renewed, the holder must apply for a licence under the 2005 Act.

Chart AP3/6

Applications for the renewal of section 27 certificates (before 1 September 2007)	England & Wales	Scotland	Total
New applications outstanding on 31 March 2007	8	2	10
Applications received in respect of certificates expiring before 1 September 2007	17	5	22
Total	25	7	32
Certificates issued	24	7	31
Applications withdrawn	1		1
Total	25	7	32

Appendix 4

Licence fees

More details regarding our fees can be found on our website.

Licence application fee

Operating licence type	Non-remote					Remote		
	A	B	C	D	E	F	G	H
Casino: 2005 Act	28,988	38,047	43,482			28,988	34,423	38,047
Casino: 1968 Act	6,588	9,882	19,765			28,988	34,423	38,047
Bingo	988	1,647	3,294	17,295	20,753	1,647	3,294	16,471
General betting - limited	180	360	990					
General betting - standard	988	988	3,459	17,295	40,518	988	3,294	16,471
Pool betting	659	1,647	4,941			659	1,647	4,941
Betting intermediary	200	200	200			9,882	13,176	16,471
Gaming machine general: AGC	988	988	1,647	4,941	16,471			
Gaming machine general: FEC	988	988	1,647	4,941	16,471			
Gaming machine technical: manufacturer	988	1,647	16,471			988	1,647	16,471
Gaming machine technical: supplier	988	1,647	4,941			988	1,647	4,941
Gaming machine technical: software	988	4,941	16,471			988	4,941	16,471
Gambling software	988	4,941	16,471			9,882	13,176	16,471
Lottery managers	988	1,647	2,306			988	1,647	2,306
Society lotteries	165	247	329			165	247	329

Annual licence fee (gross fees)

Operating licence type	Non-remote					Remote		
	A	B	C	D	E	F	G	H
Casino: 2005 Act	48,825	96,925	193,851			12,733	34,176	66,341
Casino: 1968 Act	16,356	20,716	295,539			12,733	34,176	66,341
Bingo	1,769	7,077	16,860	35,790	78,098	12,733	34,176	66,341
General betting - limited	200	467	1,267					
General betting - standard	1,769	7,077	16,860	36,862	212,372	12,733	34,176	66,341
Pool betting	2,121	4,083	4,083			12,733	34,176	66,341
Betting intermediary	267	4,083	4,083			12,733	34,176	66,341
Gaming machine general: AGC	1,616	6,464	12,928	26,488	36,862			
Gaming machine general: FEC	1,171	4,683	9,365	21,288	35,790			
Gaming machine technical: manufacturer	2,961	6,325	14,175			12,733	34,176	66,341
Gaming machine technical: supplier	2,401	3,243	4,083			12,733	34,176	66,341
Gaming machine technical: software	1,535	3,861	6,188			12,733	34,176	66,341
Gambling software	1,535	3,861	6,188			12,733	34,176	66,341
Lottery managers	1,981	2,261	2,541			12,733	34,176	66,341
Society lotteries	348	692	1,392			2,372	4,370	6,361

Personnel licence fees

PML (Personal management licence)	354
PFL (Personal functional licence)	177

Appendix 5

Casino permitted areas

List of areas in which the licensing of clubs for gaming other than bingo is permitted showing the number of licensed clubs operating on 1 April 2007 and 31 March 2008

England		01 April 07	31 March 08		
That area which is within the area specified in the licensing (Metropolitan Special Hours Area) Order 1961 - Plus of Westminster and the Royal Borough of Kensington and Chelsea.		25	26		
The areas of the Former County Boroughs, Non-County Boroughs and Urban Districts of:					
	31 March 07	31 March 08			
			31 March 07		
			31 March 08		
Birkenhead	1	1	Northampton	2	2
Birmingham	7	7	Nottingham	2	4
Blackpool	3	3	Plymouth	2	2
Bolton	2	2	Portsmouth and Portsea	3	1
Bournemouth	2	2	Ramsgate	1	0
Bradford	2	2	Reading	2	2
Brighton	3	3	Ryde	0	0
Bristol	5	5	Salford	2	2
Coventry	2	3	Sandown/Shanklin	0	0
Derby	2	2	Scarborough	1	1
Dudley	1	1	Sheffield	3	3
Great Yarmouth	2	3	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	3	Teesside/Middlesbrough	1	1
Luton	3	3	Torbay	1	1
Lytham St Annes	0	0	Walsall	1	1
Manchester	6	6	Warley	0	0
Margate	2	3	West Bromwich	1	1
Newcastle upon Tyne	3	3	Wolverhampton	2	2
Wales					
The areas of the former County Boroughs of:		31 March 07	31 March 08		
Cardiff		3	3		
Swansea		1	2		
Scotland					
The areas of the former Counties of the Cities of:		31 March 07	31 March 08		
Aberdeen		2	3		
Dundee		1	1		
Edinburgh		4	4		
Glasgow		5	5		
Total		138	142		



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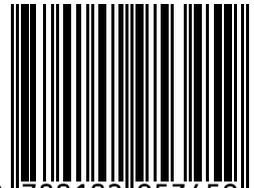
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